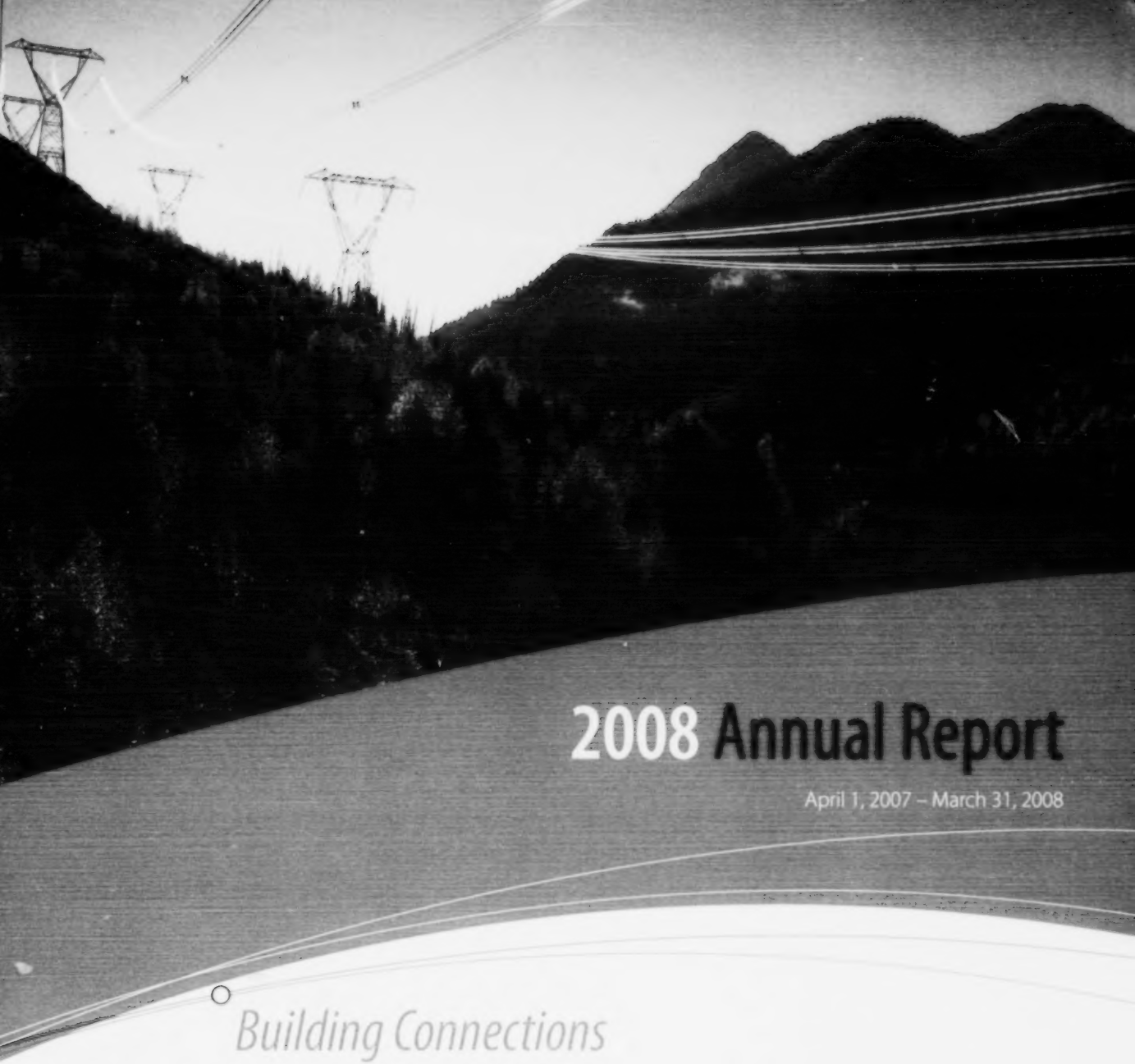

2008 Annual Report

April 1, 2007 – March 31, 2008

Building Connections

BC Transmission
CORPORATION

BRITISH
COLUMBIA
The Best Place on Earth

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Highlights

British Columbia Transmission Corporation (BCTC) achieved a number of important milestones this year*:

- Supported the Provincial Government in developing a framework for industry-wide mandatory reliability standards in BC and in integrating long-term electricity planning in the province; both key components of the February 2007 Energy Plan (the 2007 Energy Plan).

- Filed for regulatory approval the Interior to Lower Mainland (ILM) Project, the largest expansion to BC's transmission system in 30 years, and a critical project to meet the province's long-term energy needs. Advanced the critical transmission reinforcement to Vancouver Island and the Southern Gulf Islands to ensure an on-schedule operational date of October 2008.

- BCTC's new state-of-the-art system control centre went live in F2008*. The System Control Modernization Project (SCMP) consolidates one system control centre and four area control centres into one primary Lower Mainland centre and one backup facility in the Interior. The project increases system reliability and ensures that our technologies stay at the leading edge of innovation.

- Expanded customer services by providing dynamic scheduling service to Montana, increased participation in the Area Control Errors (ACE) Diversity Interchange (ADI) from four to eight utilities, and contracted more capacity on the system.

- Enhanced our community engagement to conduct more than 100 information sessions, workshops and stakeholder meetings, an increase of more than 20 public meetings and events from F2007. These meetings and events engaged First Nations, local government, individual property owners and interested community members.

- Helped develop industry best practices on fire suppression systems and fire fighting hand tools to be used in forest activities, continuing BCTC's commitment to excellence in safety and environmental performance.

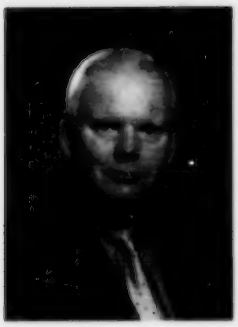
- Created two new eelgrass beds in Roberts Bank, as part of a comprehensive fish habitat plan.

Financial Highlights

($ in millions)	F2008	F2007
Income Statement		
Revenues	**$ 193.4**	$ 189.8
Operations, maintenance and administration expenses	**177.6**	167.8
Net income	**3.2**	3.1
Capital Expenditures		
Assets owned by BCTC	**$ 70.1**	$ 50.4
Transmission assets owned by BC Hydro	**203.0**	183.8
Balance Sheet		
Total assets	**$ 186.1**	$ 146.5
Debt	**85.9**	37.0
Shareholder's Equity	**43.8**	40.6

*The fiscal year starting April 1, 2007 and ending March 31, 2008 (F2008).

Message from the Chair



BCTC's mandate is to anticipate where future transmission demand is required in the province. Last year, BCTC undertook detailed preparations for the development of a transmission extension to northwest BC. This project now awaits investment decisions by potential customers in that area.

BCTC welcomes the responsibilities given to us under the Government's 2007 Energy Plan and we have made significant progress on these objectives. To more closely integrate the long term needs for transmission and generation in the province, BCTC supported development of a new approach for long term electricity planning. BCTC also recommended a policy framework to ensure BC remains consistent with North American reliability standards. The 2007 Energy Plan also places a significant emphasis on using new technology to meet the growing and changing transmission needs of British Columbians. BCTC's new control centre is a key example of technology solutions in action.

Protecting the Environment

BCTC is committed to meeting the Government's Climate Action requirement that Crown corporations be greenhouse gas (GHG) neutral by 2010. BCTC's biggest GHG challenge is sulphur hexafluoride (SF_6), a greenhouse gas released in small quantities as a result of leaks and losses from electrical power equipment. BCTC's system-wide circuit breaker replacement program will reduce these emissions by 21,500 carbon dioxide equivalent tons, or by 56 percent, by 2010. Through our Integrated Climate Change Response Program, initiated last year, we will challenge our organization to find ways to reduce GHG emissions in all aspects of our operations, ensuring that we become GHG neutral by 2010.

Concern for the environment is leading to alternative energy choices. Across North America, jurisdictions are demanding clean, renewable and GHG-free generation facilities. In some regions, the response to this trend has been to advance transmission investments to integrate areas with significant renewable energy potential. BCTC will continue to advance such long term planning perspectives in British Columbia.

Enabling Greater Market Access

BCTC undertook a number of initiatives in F2008 to deliver improved service to our customers. We completed 35 interconnection studies for independent power producers, a critical step in moving the province towards electricity self-sufficiency.

Last year, BCTC modified our Open Access Transmission Tariff to better serve customers in BC Hydro's Call for Tender process, and to effectively fit that process with the needs of our other customers. The tariff amendment was filed with the British Columbia Utilities Commission (BCUC) on February 25, 2008 and approved on April 16, 2008.

BCTC continues our active role in improving transmission interconnections in the region. Working with regional entities such as the Western Electric Coordinating Council, other system operators such as the Alberta Electric System Operator, and regional utilities such as Pacific Gas & Electric, BCTC is seeking ways to make our system more valuable to customers by improving access to market opportunities beyond BC. Dynamic scheduling, already provided to the California market, went live with Montana in January 2008.

In December 2007, BCTC applied to the BCUC to upgrade the transmission system from Surrey to Bellingham. This project will increase BC-to-US capacity by 870 megawatts (MW) at a cost of approximately $3 million. The project is the first to be advanced under BCTC's Transmission Expansion Policy (TEP) and was approved on April 22, 2008.

Also this year, BCTC studied the capability of the BC-Alberta and US-to-BC interties and contracted an additional 355 MW of long term firm transmission capacity.

Meeting Future Demand

In December 2007, BCTC filed our 10-year Transmission System Capital Plan, outlining $5.1 billion in transmission system investments. The plan calls for BCTC to add more than 1,000 kilometres of transmission circuits and five new substations, to introduce innovative new asset management programs and to connect a significant volume of clean or renewable generation to the grid.

A number of challenges result from a plan of this size and complexity. Skilled labour is scarce in BC, and construction costs have risen sharply. The degree of community consultation appropriate for our projects is increasing, bringing new issues to the planning and permitting phases of our projects. As we execute our Capital Plan, BCTC will need to have the resources and capacity to deliver the planned system improvements in a timely and cost effective manner. As part of this process, we use an enterprise risk management process that helps us to evaluate our risk profile and tolerances, and to develop mitigation plans.

Managing Our Costs

Net income for the year ended March 31, 2008 is $3.2 million compared to $3.1 million for the same period last year, primarily due to an increase in the capitalization of interest and equity costs related to the growth in capital spending and partially offset by higher operating costs.

Improving Our Performance

Over the course of this ambitious year, BCTC achieved four of our six performance targets, including those that measure safety, environmental protection, employee engagement, cost management, and system access.

BCTC did not meet two targets, one relating to system reliability and the other to stakeholder satisfaction. These results provide BCTC with two areas on which we will focus on improving our performance in the coming year.

Reporting Responsibly

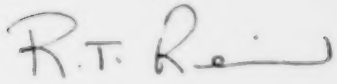
This F2008 BCTC Annual Report was prepared under the Board's direction in accordance with the *Budget Transparency and Accountability Act*. The Board is accountable for the content of this report, including the selection of performance measures and how the results have been reported.

The information presented reflects the actual performance of BCTC for the 12 months ended March 31, 2008 in relation to the Service Plan published in January 2007 (the F2008 Service Plan). The measures presented are consistent with BCTC's mission, goals, and objectives, and focus on aspects critical to the organization's performance.

The Board is responsible for ensuring that internal controls are in place so that performance information is measured accurately and in a timely fashion.

All significant decisions, events and identified risks, as of May 27, 2008 have been considered in preparing this report. This report contains estimates and interpretive information that represent the best judgment of management. Any changes in mandate, goals, strategies, measures or targets made since the F2008 Service Plan was released, and any significant limitations in the reliability of data are identified in the report.

R.T.F. (Bob) Reid



Chair of the Board
British Columbia Transmission Corporation

Organizational Overview

BC's Transmission System

The heritage transmission system owned by the Province is the second largest in the Pacific Northwest and is made up of an extensive network that includes:

- 18,300 kilometres (km) of high-voltage power lines, underground and submarine cables that range from 60 kilovolts (kV) to 500 kV
- 22,000 steel towers
- 100,000 wood poles
- 292 substations
- 100 microwave stations and microwave repeater sites

The provincially owned transmission system, managed by BCTC, receives power from 60 generating facilities across the province and through interconnections with Alberta and the United States, and delivers the power through transmission lines to more than 400 delivery points throughout the province.

Along with provincially owned lines, BC's transmission system also includes lines owned by FortisBC and other power generators. Much of the system was built between 1940 and 1980.

BCTC manages the provincially owned transmission system by operating, maintaining, planning and expanding the transmission assets and managing interconnections with Independent Power Producers (IPPs). BCTC provides safe, reliable and cost-effective transmission service for a variety of system users through our Open Access Transmission Tariff (OATT).

BCTC's corporate head office is located in Vancouver, with one system control centre in the Lower Mainland and four area control centres in Vancouver, Duncan, Prince George and Vernon. In F2008, BCTC began consolidating our control centres into one main centre in the Fraser Valley, with a backup facility in the Southern Interior. These two facilities became operational in F2008.

To meet the electricity needs of British Columbians today and in the future, BCTC is undertaking a 10-year, $5.1 billion Capital Plan. This investment will ensure the transmission system is ready to meet the needs of a growing economy and expanding electricity industry.

BCTC's primary roles, responsibilities and services include:

- Maintaining exclusive authority for electric transmission reliability of the provincially owned transmission assets;
- Operating the transmission system, including real-time operation of transmission, generation, distribution and telecommunications systems, and transaction scheduling;
- Providing services under the OATT, including all aspects of the regulatory process, tariff administration and customer relations. The OATT defines the rates and terms and conditions of transmission service and interconnection to the transmission system;

- → Planning of the transmission system in coordination with BC generation and distribution entities and neighbouring control areas and transmission organizations;

- → Managing and maintaining assets, including transmission lines, substations and telecommunications systems owned by BC Hydro, as well as BCTC's control centres. The plan involves the execution of more than 25,000 work orders per year, with an annual expenditure of approximately $100 million;

- → Sustaining, replacing and expanding the transmission assets and BCTC's control centre assets, to ensure reliable service for domestic customers and for electricity trade. As the transmission asset owner, BC Hydro finances transmission capital expenditures built by BCTC, following BCUC approval. As owner of the control centre assets, BCTC funds capital expenditures on these assets, subject to BCUC approval;

- → Assisting in maintaining low electricity rates in British Columbia, including the cost effective management of all BCTC functions; and

- → Complying with requirements for a carbon neutral public sector by 2010 through measurement and reporting of BCTC's greenhouse gas emissions, implementation of programs to reduce emissions, offsetting remaining emissions, and engaging employees to develop further solutions to meet Government's climate change objectives.

For more information on the provincially owned electric transmission system and BCTC's role in operating, maintaining, planning and expanding the system, please visit [illegible]

Organizational Overview

Mandate and Enabling Legislation

In May 2003, the Province of British Columbia established BCTC under the BC *Business Corporations Act* (then called the *Company Act*) as a Crown corporation responsible for operating, maintaining, planning and expanding the provincially owned high-voltage electric transmission grid. BC Hydro continues to own the transmission assets. BCTC owns the control centre assets required for operating and controlling the transmission system.

BCTC's mandate is to provide open and fair access to the provincially owned electric transmission system, facilitate private generation investment in BC and maintain access to the western North American wholesale electricity market. BCTC's independence facilitates a more robust electricity industry; we are a direct outcome of the 2002 Energy Plan, and are legislated under the *Transmission Corporation Act*. The importance of BCTC's role in advancing energy policy was confirmed in the Government's 2007 Energy Plan.

A series of five key agreements with BC Hydro were designated by Order in Council in November 2003, pursuant to the *Transmission Corporation Act*. These agreements ensure coordinated long term planning processes that meet the requirement to deliver reliable, low cost power in the province. An overall Master Agreement sets out BCTC's roles and responsibilities. In addition, a Transmission Operating Agreement, Asset Management & Maintenance Agreement, Asset Lease, Licence & Transfer Agreement, and Support Services Agreement are also in place.

A Shareholder's Letter of Expectations from the Minister to BCTC's Board Chair sets out the corporate mandate, high level performance expectations, strategic priorities and the respective roles and responsibilities of the Shareholder and BCTC. The 2008 Shareholder's Letter of Expectations is available on BCTC's website and forms the basis for the development of BCTC's Service Plan published in January 2008 (the F2009 Service Plan).

Further information on BCTC's mandate and enabling legislation can be found at

Overview of the Internal Organizational Structure

BCTC's activities and services are delivered by 384 employees across seven business divisions. For further information on BCTC's organizational structure, visit

Key Relationships

Customers

BCTC works with all eligible transmission customers to ensure open and fair access to the transmission system. The organization coordinates all transmission transactions in order to operate the system safely and reliably.

BCTC's largest transmission services customer is BC Hydro. BCTC provides BC Hydro with a highly flexible transmission service necessary to deliver electricity to customers in BC, including wholesale customers such as FortisBC and the City of New Westminster.

BCTC also provides point-to-point transmission service to power marketers, generators, and industrial customers for trade or to serve large customers who choose to purchase their electricity from suppliers other than BC Hydro. In addition, BCTC provides engineering studies and interconnection services to Independent Power Producers (IPPs) and utility generators seeking to interconnect to the BC grid.

Shareholder

BCTC is a Crown corporation with the Province of British Columbia as the sole shareholder. BCTC reports to the Minister of Energy, Mines and Petroleum Resources. A 10-member Board of Directors, appointed by the Shareholder, oversees the operations of the company.

Regulators

BCTC is regulated by the British Columbia Utilities Commission (BCUC) and seeks approval from the BCUC for transmission system capital expenditures and the rates BCTC charges customers, which include an allowed return to the Shareholder. In addition, some of BCTC's activities are subject to other regulatory bodies such as the National Energy Board and the Environmental Assessment Office.

First Nations

BCTC is committed to an open and transparent planning process so First Nations are informed and actively involved in discussions about electricity planning and major transmission issues in the province.

Stakeholders

Stakeholders' views are important considerations in planning and implementing projects and regulatory applications. BCTC's principal stakeholders are industry participants, local municipalities, community and environmental groups, and governments.

Industry Associations

BCTC is actively involved in regional and national organizations promoting safe, reliable and cost-effective operation of the grid. The organization participates in the Western Electricity Coordinating Council and the North American Electric Reliability Corporation.

BCTC is also part of the Canadian Electricity Association (CEA), the national association and voice of the electricity business in Canada. Being part of the CEA ensures BC's perspectives and views are represented in a national forum. This participation allows BCTC to gain and share experiences from across the country.

Service Providers

BCTC's service providers deliver specialized services such as construction, maintenance, engineering, vegetation management, and information technology services.

BCTC is continually assessing the strength of our relationships and satisfaction with the service we provide. An annual stakeholder survey measures how well BCTC is meeting the expectations and needs of customers and stakeholders, and is one of our key measures of performance.

Alignment with the Shareholder's Letter of Expectations

BCTC's vision is to be globally recognized for our innovative and sustainable approach to serving our customers. This aligns with the 2008 Shareholder's Letter of Expectations as reflected in the following table. A copy of the Shareolder's Letter can be found at http://www.bctc.com/about_bctc/reports_performance/.

Shareholder's Direction	BCTC Action
Implement actions to support the objectives of British Columbia's 2007 Energy Plan	• Supported development of a new requirement for BCUC to conduct a long term transmission needs inquiry • Supported development of a regime to remain consistent with North American electricity reliability standards • Continued progress on BCTC's new system control centre that includes an innovative new energy management system to ensure efficient and reliable system operations • Developed an innovation strategy to identify and implement leading edge transmission technology and infrastructure • Began developing a loss reduction strategy to support conservation and energy efficiency goals • Conducted studies to ensure BCTC is able to integrate clean or renewable generators (such as wind), which impose increased demands on the electricity system
Ensure sustained asset health, reliability and security of the transmission system	• Prepared a 10-year Capital Plan outlining BCTC's proposed $5.1 billion investment in capital projects and programs • Designed an annual asset maintenance plan and sought cost recovery for the plan from the BCUC • Began implementing a critical infrastructure program consistent with prevailing industry standards for asset security, both physical and cyber
In the context of the 2007 Energy Plan, implement actions necessary to maintain British Columbia's electricity rates as among the lowest in North America	• Continued cost-effective system operations • Support efficient trade of BC's generation sources through strategic transmission investment and participation in regional initiatives
Continue to enhance open access transmission tariffs that promote private sector opportunities in wholesale electricity supply and facilitate direct purchase of electricity by large users, subject to the approval of the BCUC	• Developed new tariff provisions for transmission requirements associated with BC Hydro's Call for Tender process • Developed BC's response to new provisions to the industry standard Open Access Transmission Tariff • Monitored tariff pricing practices to ensure they continue to meet ratemaking objectives
Continue to work with neighbouring transmission companies to enhance trade opportunities by pursuing regional initiatives	• Played a key role in responding to a request to examine the transmission implications of potential exports of clean energy to California • Continued bilateral discussions with Bonneville Power Administration and Alberta Electric System Operator to identify opportunities to expand regional transmission infrastructure • Expanded dynamic scheduling to Montana

Shareholder's Direction	BCTC Action
Continue to utilize public planning processes with BCTC's stakeholders to promote openness and transparency in overall planning objectives	• Conducted more than 100 consultation activities with First Nations, communities and stakeholders • Conducted a comprehensive consultation program for mandatory reliability standards
Fully participate in various regulatory processes under the direction of the BCUC related to planning and capital projects by both BCTC and BC Hydro in order to achieve cost-effective integrated energy planning for British Columbia in the context of the 2007 Energy Plan	• Filed F2009 to F2018 Transmission System Capital Plan and F2009 to F2010 Transmission Revenue Requirement Application • Supported development of BC Hydro's upcoming Long Term Acquisition Plan • Submitted a regulatory application for a significant transmission upgrade from the Interior to the Lower Mainland
Continue to enhance access to markets for British Columbia-produced electricity	• Received regulatory approval for an intertie upgrade to expand capacity with US markets • Contracted additional transmission capacity to Alberta and the US
Work with the Shareholder to identify current or upcoming transmission issues that could require provincial policy development, and assist with implementation of any such policies	• Supported Government's 2007 Energy Plan, particularly with Policy Actions 12, 13, 14 (http://www.energyplan.gov.bc.ca/PDF/2007_Energy_Plan.pdf)
The Board to annually assess its appointment process to ensure succession results in both renewal and continuity of Board membership and provide the results of this assessment to the Shareholder for consideration	• BCTC's Board members are appointed annually by the Shareholder, as required under the British Columbia *Business Corporations Act*. Prior to the annual appointment, communications are held between the Board Chair and the Minister Responsible on Board renewal considerations • The Board, through its Corporate Governance Committee, maintains a succession framework and incoming director orientation program to facilitate the orderly transition of Board members over time
Encourage staff involvement in developing ideas and new solutions to meet Government's climate change objectives, including energy conservation programs and fleet and traffic management initiatives, and report on results achieved	• Extended indefinitely BCTC's Green Commuting Program that encourages employees to use public transit, bike or carpool to work • Began developing our Integrated Climate Change Response Program
Support the Shareholder in developing options to advance the Northwest Transmission Line (NTL) Project	• Led a process that resulted in a commercial agreement with potential customers on terms and conditions to proceed with NTL. This project is on hold pending resolution of mine development issues in the area. The Province has indicated that it remains committed to fund a portion of this system extension, so this project may proceed in the future

Report on Performance

Each year, BCTC establishes a set of goals, objectives, strategies, performance measures and targets to move the company toward our vision of being globally recognized as an innovative, sustainable transmission company. This Report on Performance is organized around BCTC's six strategic goals, which are closely linked to our mandate.

At its October 2007 strategy session, BCTC's Board of Directors approved the modification of two corporate goals and the modification of one corporate performance measure:

	F2008 Service Plan*	F2009 Service Plan**
Goal One	**Reliability, Costs & Service:** Achieve reliability improvements while lowering costs and delivering outstanding customer service	**Reliability & Service:** Achieve reliability improvements and deliver outstanding customer service
Goal One Measures	• BCTC SAIDI • OMA/GWh*km (operating efficiency)	• BCTC SAIDI
Goal Six	**Financial Return:** Manage costs and revenues to meet service obligations	**Cost Management:** Maintain prudent financial management of capital and operating expenditures
Goal Six Measures	• A component of Goal One (OMA/GWh*km)	• OMA Actual against Plan

* For the years F2008 to F2010
** For the years F2009 to F2011

Establishing "Cost Management" as goal six clarifies the significance of managing capital and operating costs as the counterbalance to all of BCTC's other goals and related actions, not just to achieving reliability and service goals. For example, the continuous improvement of environment and safety performance comes with the cost of managing BCTC's initiatives in these areas. The same is true for the goals of market efficiency, relationships, and organization and people.

BCTC's management and Board modified one of the corporate measures under goal one from OMA/GWh*km ("OMA" is annual Operating, Maintenance and Administrative expense, "GWh" is gigawatt hours of electricity used by British Columbia customers each year and "km" is the length of the transmission system in kilometres) to "OMA Actual against Plan". This performance measure has also now been moved to goal six (Cost Management).

Prior to F2006, the performance measure of costs was composed of OMA only. The addition of GWh and km components in F2006 was done in an attempt to allow benchmarking of BCTC's performance against other transmission organizations. However, BCTC has no control over the GWh component because electricity use in BC is closely tied to weather and economic conditions. As a result, BCTC's efforts in managing costs could be overwhelmed by GWh results that are unrelated to BCTC's performance. In addition, the differing performance measurements used by other transmission companies has shown this benchmark to be of little value.

As the modification of this corporate measure took place in the fiscal year, BCTC is disclosing our F2008 performance for both old and new measures. BCTC did not meet our OMA/GWh*km target because BCTC domestic energy delivered was 1.56 percent below the forecast amount. Our performance on this measure was 18.5 cents whereas our target was 18.0 cents for F2008. If the energy delivered was as planned, the OMA/GWh*km would have come to 18.2 cents.

The following table summarizes BCTC's six strategic goals and our approach to meeting them:

Strategic Goal		BCTC Mandate
1	**Reliability & Service:** Achieve reliability improvements and deliver outstanding service	To operate the transmission system in a reliable manner for the benefit of our customers. This has been and will continue to be a core competency of our company
2	**Market Efficiency:** Ensure efficient use and development of the transmission system	To provide fair and open access to the grid to ensure its efficient use, to plan and integrate new generation projects in BC, and to facilitate trade
3	**Environment & Safety:** Continually improve BCTC's environmental and safety management performance	To remain fully committed to safety and environment in all operations and initiatives, for the benefit of BCTC and British Columbia
4	**Relationships:** Build open and constructive relationships with First Nations and stakeholders	To consult with First Nations and stakeholders to fulfill BCTC's mandate to manage and expand the grid in an efficient manner
5	**Organization & People:** Build an engaged and highly skilled workforce	To continue to enhance the unique skills required to plan, maintain, operate and expand the transmission system
6	**Cost Management:** Maintain prudent financial management of capital and operating expenditures	To obtain our revenue requirement and manage expenses in pursuit of fulfilling our mandate

Data Integrity

BCTC is diligent in ensuring the accuracy and reliability of our performance information. A review of historical data confirms the availability, thoroughness and accuracy of source data before a measure is chosen. An external review by Grant Thornton consultancy in F2005, and a subsequent update in F2007, reconfirmed our data collection processes and the integrity of our key performance indicators.

Financial information is provided through BCTC's audited financial results, while environmental and safety results are captured through BCTC's reporting procedures in these areas. Employee and stakeholder surveys are conducted by independent firms.

Internal data collection and performance reviews are conducted by professional staff, and confirmed through executive management review. In addition, the BCTC Board of Directors' Human Resources, Safety and Environment Committee reviews performance results quarterly.

Reliability data is gathered in BCTC's operational databases and analyzed for the purpose of internal and external reporting. BCTC also continues to carry out our Reliability Data Management Project, which began in May 2006. Its objective is to ensure the consistency and accuracy of reliability indices as well as efficiency in the management, analysis and reporting of reliability data.

Benchmarking Our Performance

BCTC has initiated external and internal benchmarking programs where possible, allowing us to compare our performance over time to our peers. BCTC has a unique business model, in that the company does not own the transmission assets. This reduces the directly comparable benchmarks when analyzing the organization.

Significant Risk and Capacity Issues

Inflation of construction costs, infrastructure siting challenges and the scarcity of skilled labour are all examples of risks for BCTC's business operations. Please see the Management Discussion and Analysis for further discussion of business risks and what BCTC has done to address them.

Goals, Strategies and Measures

The following section of the report provides explanations of BCTC's corporate goals, our strategies to meet them, and F2008 performance measures. The results of BCTC's performance are presented and analyzed together with our future plans.

Goal One: Achieve Reliability Improvements and Deliver Outstanding Customer Service

Objectives

- → Pursue incremental improvements in overall reliability performance trends
- → Define, measure and improve service levels to customers

Strategies

1. Work with Government and stakeholders to introduce mandatory reliability standards in BC
2. Complete major transmission projects
3. Pursue and adopt innovative new technologies and asset management techniques
4. Facilitate the integration of wind generation on the transmission system
5. Provide exemplary operational services to BC Hydro and ensure reliability expectations are met
6. Facilitate the integration of new clean or renewable generation in BC

Measure: SAIDI (System Average Interruption Duration Index)

SAIDI is a measure of the reliability of the transmission system that BCTC operates and manages. It includes all planned and unplanned outages, and excludes interruptions due to outages attributed to generators. It is calculated as the average amount of time in hours across all transmission delivery points that service is interrupted in a year due to planned or unplanned outages.

Corporate Measure	F2006 Actual	F2007 Actual	F2008 Target	**F2008 Actual**	F2009 Target	F2010 Target	Results
BCTC SAIDI (hours)	2.07	4.23	2.18	**2.43**	2.23	2.14	Did not meet target*

*Target is set omitting major weather-related events, which can occur and are reflected in actuals, as they were in F2007 and F2008.

Importance of the Measure

SAIDI assesses BCTC's effectiveness in providing customers with a high level of service reliability for the transmission system.

Benchmark Comparison

Currently, the best benchmark for Canadian transmission reliability can be found in the Canadian Electricity Association's (CEA) annual study of the Bulk Electricity System (BES).

The CEA's definition of SAIDI differs from BCTC's internal definition in three respects: the CEA uses a calendar year versus BCTC's fiscal year, the CEA includes generation source outages whereas BCTC does not, and CEA's calculation includes only unplanned outages while BCTC SAIDI includes both planned and unplanned outages.

The most recent benchmarking results for comparison are from the CEA BES study for F2007 (based on calendar year). For the CEA BES benchmarking study, BCTC reports a SAIDI value of 3.2 hours, compared to the CEA composite (weighted average) result of 1.5 hours.

A number of factors can contribute to the variability of SAIDI across companies, including geography, climate, system age, or the impact of significant events such as weather. Without normalizing for these factors, the peer to peer benchmarking comparison becomes very challenging.

Data Source/Reporting Period

BCTC Reliability Database Management System (RDMS) — April 1, 2007 to March 31, 2008.

Performance Analysis

BCTC sets reliability targets based on an average that excludes certain major external events deemed to be beyond BCTC's control after vigorous review (i.e. the impact of weather, wild fires, wildlife etc.) to ensure a more coherent and consistent set of targets over the years. However, BCTC's performance evaluation includes the impacts these external events have on system reliability.

In F2008, BCTC's SAIDI result was 2.43, which was above the target of 2.18. A wild fire occurred near Arrow Lakes on August 1, 2007 causing an outage that added 0.30 hours to the SAIDI score. Review shows the outage was not preventable and its duration could not have been reduced, as unstable fire conditions in the area prevented BCTC and BC Hydro crews from accessing the location until the following day. Without the occurrence of the wildfire, BCTC's SAIDI result for the year would have been 2.13, which would have met the target.

Achievements

To prevent outages in the first instance and to help mitigate the impact of forest fires on the transmission system, BCTC continued our Edge Tree Program. The $3 million per year, multi-year program is in its fourth year and serves to identify and remove hazardous trees growing near the transmission lines.

In the past year, BCTC has added bonding wire to 1,835 wooden poles to decrease the possibility of electrical charges inadvertently sparking fires on our rights-of-way. As existing wood structures deteriorate, BCTC is investigating the use of composite materials as a cost-effective and durable alternative.

Investing in Innovation

BCTC's new control centres went live in F2008. The System Control Modernization Project (SCMP) consolidates five regional control centres into a new state-of-the-art system control centre in the Lower Mainland (with a backup centre in the Interior). A key technology in the control centres is the Energy Management System (EMS), which helps BCTC further improve the reliability and efficiency of the system by monitoring and controlling electric power transmission and generation in BC and by facilitating data and network modelling both within BC and with neighbouring utilities.

BCTC is also now using synchrophaser measurement technology - a satellite-based system providing precise snapshots of electrical grid performance - which allows operators to see conditions across the entire grid or grid segment. Taking measurements 30 times per second at key locations along the transmission system, synchrophasor technology can highlight small performance fluctuations that previously went unnoticed, but which are often a precursor to a major network problem. With more accurate, reliable and specific information, operators can make better informed decisions about scheduling transmission capacity and responding to contingencies.

Enhancing System Reliability

The 2007 Energy Plan recognizes the importance of transmission reliability to BC's continued prosperity and commits to remaining consistent with industry-developed mandatory reliability standards (MRS). BCTC is supporting Government in developing a framework for adopting these standards in BC. During F2008, BCTC consulted with BC Hydro, FortisBC, IPPs and other industry participants to develop a better understanding of the implications of implementing MRS in BC. In May 2008, Bill 15, *The Utilities Commission*

Goal One: Achieve Reliability Improvements and Deliver Outstanding Customer Service

Amendment Act received Royal Assent. These amendments provide, among other things, a legislative framework for introducing MRS into BC. For further information, see http://www.bctc.com/the_transmission_system/reliability/mandatory_reliability.htm.

Increasing load growth in communities in the Southern Interior and the upper Columbia Valley means the single circuit radial transmission systems serving these communities will need to be upgraded to meet future electricity demand and ensure reliability of supply. During F2008, BCTC did a preliminarily evaluation and the 10-year Capital Plan includes projects to address reliability of radial lines serving the communities in and around Westbank and Golden.

Managing and Maximizing Assets

BCTC is one of the first utilities in Canada to undertake a transmission tower corrosion protection program. Last year, WorkSafe BC accepted BCTC's procedures that permit contractors to paint towers while still operating, avoiding having to take that portion of the transmission system out of service. The protection program will extend the life of the asset by approximately 35 years.

BCTC looks for ways to maximize capacity from existing assets before advancing new infrastructure projects. BCTC has replaced existing mechanical temperature monitors on substation power transformers across the province with new, computerized, intelligent monitors that allow transformers to operate to maximum capacity without overheating. This change defers capital expenditures associated with system capacity upgrades and reduces maintenance costs of the existing system.

Delivering Innovative Customer Service

In F2008, BCTC embarked on a wind integration project to examine the impacts of intermittent generation sources on the transmission system, as well as to propose effective solutions for integrating wind power reliably and economically to meet BC's clean energy targets.

In May 2007, BCTC implemented changes to the Network Economy provisions of our tariff as a result of customer consultations during F2007. The changes include new business practices and IT system changes and will benefit all wholesale transmission service customers by improving utilization of the transmission system and furthering open access and transparency as customers, large and small, move electricity throughout BC.

BCTC also amended the Open Access Transmission Tariff to further define the transmission requirements related to BC Hydro's Call for Tender process. This tariff amendment is intended to enable economic and efficient connection of clean or renewable power through BC Hydro's competitive power acquisition process, including bioenergy power producers, run of river projects, wind farms and, in the future, ocean energy power generators. BCTC's Competitive Electricity Acquisition Process tariff amendment was finalized in F2008.

BCTC completed 35 generation interconnection studies during F2008. As BC Hydro calls continue to support the 2007 Energy Plan objective of developing clean or renewable generation in BC, BCTC anticipates a high volume of study work. To meet future demand and to meet timelines identified in our tariff, BCTC has ensured the necessary resources are in place and has developed new processes to streamline the study process.

Looking Ahead

BCTC will advance our capital plan projects in F2009. The Vancouver Island Transmission Reinforcement Project construction will be completed and in service by October 2008. Work on the definition phase of the Interior to Lower Mainland Project will continue, following the submission of BCTC's regulatory application in November 2007. Project definition work will also continue on the Central Vancouver Island Project to connect the existing 230 kilovolt (kV) and 138 kV systems by adding two new 230 kV transmission lines and a substation near Nanaimo (in service, 2010). The total capital cost will be $294.4 million.

BCTC is participating in a working group with BC Hydro and the Ministry of Energy, Mines and Petroleum Resources to evaluate the impact and potential benefits of Plug-in Hybrid Electric Vehicles (PHEV) on the electricity system. PHEVs will shift consumption patterns and demand levels on the system. BCTC is also funding a project on power system impacts of utility controllable PHEVs through our membership in the Power Systems Engineering Research Center. The goal is to apply the proposed methodologies developed in the study to an actual power system.

BC Hydro is introducing a smart metering program to approximately 1.7 million residential and commercial customers by 2012, enabling customers to see how and when they are using electricity and to help them conserve and optimize energy usage. Access to this information will increase BCTC's capability to monitor and operate the system reliably.

Goal Two: Ensure Efficient Use and Development of the Transmission System

Objectives

- → Proactively seek ways to enhance electricity industry activity on BC's transmission system, resulting in more services used by customers, and new transmission service customers
- → Make the system available to allow expanded access to market opportunities, limiting congestion and curtailment on the system

Strategies

1. Work with Government to meet the goals of the 2007 Energy Plan for long term transmission planning and integration of clean or renewable generation
2. Minimize energy losses on the transmission system
3. Reduce or eliminate transmission constraints through better asset management and coordination with neighbouring utilities
4. Identify opportunities to increase inter-regional transmission capacity to improve access to other markets
5. Remain compliant with the industry open access tariff

Measure

BCTC is continuing to track and analyze our response to congestion at the US and Alberta interties as an informational measure. The informational measure is reported to BCTC's executive management.

Given the emphasis in the 2007 Energy Plan for a long term perspective on transmission infrastructure, BCTC will continue to work on informational measures to assess our performance in meeting this goal. During F2009, BCTC will undertake an evaluation of our corporate strategy, during which we will assess the validity of such measures with the intention of establishing a new performance measure in future.

Goal Two: Ensure Efficient Use and Development of the Transmission System

Performance Analysis

BCTC strives to enhance electricity activity on the transmission system by expanding the system efficiently, minimizing congestion, ensuring the grid is available to all customers, and increasing access to regional markets. Finding ways to eliminate congestion continues to be an important element of the planning and operating process.

Achievements

The 2007 Energy Plan calls for adequate transmission to meet the long term electricity needs of the province. In F2008, BCTC provided support for Government to complete amendments to Section 5 of the *Utilities Commission Act*. The amendments recognize the long lead times for planning and building transmission projects and take a long term perspective on where transmission investments are needed to support, for example, the 2007 Energy Plan's objectives of self-sufficiency and developing clean or renewable power generation in BC.

BCTC advanced planning for the Northwest Transmission Line (NTL) Project, a transmission extension to northwest BC, in F2008. BCTC led a process that resulted in commercial agreements on terms and conditions to proceed with the NTL project. This project is on hold pending resolution of mine development issues in the area. The Province has indicated that it remains committed to fund a portion of this system extension, so this project may proceed in the future.

To support the Provincial Government's conservation and energy efficiency goals, BCTC launched a comprehensive transmission system loss reduction study. Transmission losses account for approximately six percent of provincial electricity use. The BCTC study will identify the location of losses, the cost of reducing them, and an action plan for investment.

In February 2007, the US Federal Energy Regulatory Commission (FERC) issued Order 890, which refines the open access rules in the US. Since 1997, BC has stayed consistent with this tariff, having found it suitable for use in BC and a means of reducing barriers to efficient trade. The tariff changes are intended to increase access to new generating resources, to encourage open, transparent, and coordinated transmission planning inter-regionally, and to help remove existing and future congestion. BCTC will apply to the BCUC for tariff amendments in F2009.

Increasing Capacity through Inter-regional Opportunities

BCTC has a significant role in helping BC realize its potential as a leader in clean energy exports. The combination of two policies in the 2007 Energy Plan - self-sufficiency with insurance and maintaining a portfolio of at least 90 percent renewable energy – will result in BC having a surplus amount of clean or renewable energy after domestic needs have been met. As a result, there will be opportunities to trade this surplus energy in other jurisdictions, for the benefit of ratepayers and shareholder alike. These opportunities require sufficient transmission capacity between BC and other markets.

BCTC completed a BC-Alberta Intertie technical study in F2008. The study concluded that an expanded intertie could provide a number of benefits for BC and Alberta. A working group is now assessing how the benefits can be realized given market structure differences and public policy objectives in each jurisdiction, and is considering the feasibility and value of expanding intertie capacity in the south, or developing a new northern interconnection.

Last year, BCTC actively participated in studies to identify and assess transmission development in the Pacific Northwest. One such initiative, the BC-Pacific Northwest-California Transmission Study, is a Western Electricity Coordinating Council (WECC) planning study sponsored by several transmission utilities including BCTC.

In December 2007, BCTC applied to the BCUC to approve an upgrade of transmission circuits from Surrey to Bellingham. The project is the first BCTC is advancing under our Transmission Expansion Policy (TEP), which enables BCTC to plan and expand the transmission system in advance of contracted need. While the current Surrey to Bellingham system is meeting today's demand, the project will increase the transmission capacity across the BC-US Intertie by 870 MW. For more information on BCTC's TEP application, visit http://www.bctc.com/regulatory/applications/2007/Surrey-Bellingham-Upgrade-Project.html.

BCTC expanded a service called ACE Diversity Interchange (ADI) during F2008. ADI pools momentary imbalances of generation and load, known as Area Control Errors (ACE). Pooling the ACE from several control areas eliminates some of the inadvertent or unscheduled movement of electricity. BCTC took the lead in developing the ADI and is the host for the service. Since its inception in March 2007, the number of utilities that have signed on as participants has doubled from four to eight. New participants include Arizona Public Service, Public Service Company of New Mexico, and Sierra Pacific - Nevada Power. As host of the ADI service, BCTC gains recognition as a contributor to regional integration and cooperation. The ADI also provides reliability benefits for participants.

BCTC has offered dynamic scheduling services to California since F2006. The service allows power marketers to sell valuable energy services to California for the purpose of managing short term demand changes in that market, and allows BCTC to respond swiftly to demand changes in California with generation resources from BC. In January 2008, BCTC began offering dynamic scheduling service between BC and Montana. Already, this service is being expanded and additional service is being considered with Alberta and the Pacific Northwest.

Looking Ahead

BCTC will begin developing a 30-year vision for the transmission system during F2009. BCTC will examine elements such as growth in electricity demand, future areas of potential generation development, export requirements and intertie requirements, inter-regional transmission developments, and the impact of technology and innovation in operating and planning the transmission system.

Interest in accessing renewable energy zones continues to grow throughout the WECC region and BCTC anticipates ongoing work to identify renewable energy zones and the associated transmission requirements to make clean, renewable power available to consumers. In F2009, BCTC will be actively involved in regional and inter-regional initiatives, both through organizations like WECC and through discussions with neighbouring utilities, to identify how these regional initiatives might impact BC's system.

Goal Three: Continually Improve BCTC's Environmental and Safety Management

Objectives

- → Continually focus on enhancing BCTC's performance in these areas, ensuring we maintain our excellent safety results and work with our contractors on their safety management
- → Reduce greenhouse gas emissions for BCTC operations, and minimize the number and impact of environmental incidents

Strategies

1. Ensure contractors meet BCTC's environmental and safety standards, and look for improvements to BCTC's safety and environment management systems
2. Ensure the safety of contracted employees working on the transmission system
3. Implement a plan to achieve Government's greenhouse gas reduction targets
4. Assess long term effects of climate change on BCTC's operations and assets

Measures:

BCTC measures our environmental and safety activities using two separate measures: reportable environmental incidents and lost-time accidents.

1. Reportable Environmental Incidents

This tracks BCTC's environmental performance in relation to environmental standards and regulations set by various regulatory agencies.

2. Lost-time Accidents (BCTC and Contractors)

A lost-time accident is an injury that results in an employee or contractor being absent from work beyond the date of the injury. BCTC includes transmission staff and contractors (including transmission system subcontractors) in the performance numbers.

Measure 1: Reportable Environmental Incidents

This tracks BCTC's environmental performance in relation to environmental standards and regulations set by various regulatory agencies.

Corporate Measure	F2006 Actual	F2007 Actual	F2008 Target	F2008 Actual	F2009 Target	F2010 Target	Results
Reportable Environmental Incidents	12	13	9	**9**	10	10	Met target

Importance of the Measure

The measure focuses BCTC on minimizing environmental incidents, and supports our guiding principles for environmental responsibility and the 2007 Energy Plan's focus on environmental leadership.

Benchmark Comparison

The CEA environmental benchmarking studies measure the volume of spills, not the frequency of reportable incidents, making a direct comparison challenging. Adding to this issue, standards for environmental incident reporting can vary by province. As a result, BCTC uses historical performance data and root cause analysis to determine areas for improvement.

Data Source/Reporting Period

BCTC monitors and reports any incidents according to provincial and federal environmental reporting requirements. The reports provide a source of data with which to analyze BCTC's performance on this measure. In addition, as BCTC's primary service provider, BC Hydro reports on its environmental compliance measure separately. All incidents are reported on a fiscal year basis.

Performance Analysis

BCTC met our corporate performance target for reportable environmental incidents.

Achievements

In F2008, BCTC focused heavily on management system improvements, due diligence training, and planning and monitoring activities.

BCTC made significant progress improving the asset management elements of our Right-of-Way Sustainment Program. The program manages the access requirements on the transmission rights-of-way, which include structures such as roads, culverts, drainage, bridges and helipads used to maintain and operate the transmission system. Effective management of this infrastructure reduces the risk of harm to environmentally sensitive areas. For example, properly maintained drainage structures ensure road surfaces do not erode and cause silt to flow into fish habitats.

BCTC continued our circuit breaker replacement activities in F2008, replacing aging equipment and reducing sulphur hexafluoride (SF_6) emissions as a result.

BCTC introduced comprehensive herbicide-use training and tools for our contractors during F2008. By detailing our expectations of contractors in the vegetation management contracts and offering training courses on these requirements, BCTC has further embedded the standards of the *Integrated Pest Management Act* and regulation into our operating practices.

BCTC is developing a policy to address plant and wildlife species at risk along our transmission rights-of-way. This policy will identify whether at risk species are impacted by BCTC's operations, recognize the locations of listed species and their habitats, protect or minimize disturbance to these species/habitats, and mitigate impacts where they occur. The policy ensures BCTC complies with the updated Species at Risk Regulation under the *BC Wildlife Act*.

Operating and maintaining the transmission system in an environmentally responsible manner is critical to BCTC's success. As part of the marine fish habitat compensation plan for the Vancouver Island Transmission Reinforcement Project, two new eelgrass beds are being created in the Roberts Bank area, near the BC Ferries terminal in Tsawwassen. To learn more about this program, visit [illegible]

Looking Ahead

In F2009, BCTC will launch our Integrated Climate Change Response Program in response to the Government's commitment to reduce GHGs by 30 percent of 2005 levels by 2020. Under the new legislation, Crown corporations must achieve net zero emissions (carbon neutrality) by 2010. Today, BCTC operations are not carbon neutral.

In F2009 and F2010, BCTC will focus attention on activities to meet BCTC's targets and goals, assess and monitor emissions sources, and assess options for GHG offsets to further reduce BCTC's GHG emissions.

Goal Three: Continually Improve BCTC's Environmental and Safety Management

Measure 2: Lost-time Accidents (BCTC and Contractors)

Corporate Measure	F2006 Actual	F2007 Actual	F2008 Target	**F2008 Actual**	F2009 Target	F2010 Target	Results
BCTC	0	0	0	**0**	0	0	Met target
Contractors	18	6	17	**17**	20	20	Met target

Importance of the Measure

This measure supports the fundamental objective of safety at BCTC, and is consistent with the definition of lost-time accidents used by WorkSafe BC. BCTC is fostering change in the industry by reporting contractor safety performance to the CEA. This acknowledges the role of contractors in our business and continues to translate BCTC's safety principles into action.

Benchmark Comparison

The CEA tracks safety performance metrics. BCTC submits annual performance results to the CEA on the following industry-wide metrics: all injury frequency rate, lost-time injury frequency rate and lost-time injury severity rate. BCTC's performance and CEA members' composite performance are shown below for F2007. The frequency rate in the table below is per 200,000 hours of work time. As a reference, BCTC's employees cumulatively work approximately 600,000 hours per year.

	All Injury/ Illness Frequency Rate*	Lost-time Injury Frequency Rate	Lost-time Severity Rate
BCTC	0.31	0.00	0.00
CEA Composite	3.01	0.92	16.13

*This is based on the total number of fatalities and lost-time injuries, plus the total number of medical treatment injuries which occurred in the calendar year.

Data Source/Reporting Period

CEA 2007 Safety Incidents Statistics Report. These statistics are reported on a calendar year basis.

Performance Analysis

BCTC has a comprehensive Safety Management System that ensures we conduct our operations in a safe manner to minimize the risk of injury to employees, contractors and the public. The system incorporates a policy statement principle, management practices and performance measures, is consistent with the standards published by the International Organization for Standardization (ISO) 18001, and meets the regulatory requirements of WorkSafe BC.

In F2008, BCTC achieved our targets for the number of both employee and contractor lost-time accidents. This result was due to BCTC's additional focus on employee and contractor safety. Initiatives in F2008 included rewriting BCTC's Safety Principle to communicate the expectations and responsibilities for all levels in the organization, including contractors. Within the principle, a greater emphasis is placed on specific activities to ensure public safety. BCTC continued to improve our contractor safety management processes to prevent contractor injuries.

Achievements

BCTC incorporates stringent safety policies and practices in our day-to-day operations, and we are continuously identifying areas of improvement. BCTC continues to be one of the only utilities in Canada that tracks the safety performance of contractors. In F2008, BCTC emphasized improving contracting oversight practices and contractor safety management within vegetation management. This pilot project included training BCTC staff in how to effectively communicate BCTC's safety protocol to contractors and evaluate contractor performance, and consulting with staff to further develop the program. The training supported the expectations and responsibilities mandated in BCTC's new Safety Principle.

BCTC also worked with BC Hydro to implement the Joint Safety Resolution Committee and related management processes to improve safety management on issues involving the two organizations. In F2008, Committee decisions helped formalize several standard safety practices, such as ensuring adequate electrical clearances are constructed around 230 kV circuit breakers.

During F2008, BCTC contributed to the development of an Industry Recognized Practice (IRP) on fire suppression systems and firefighting hand tools to be used in forest activities. Participation in the IRP ensures BCTC's input into the improvements and keeps BCTC up to date on industry best practices.

Looking Ahead

BCTC will continue to ensure our contractors are meeting BCTC's safety standards by developing safety performance metrics for our service providers. The successful pilot program developed for vegetation management contractors will be expanded into other areas of the company. In addition, training sessions for staff and contractors are part of an ongoing effort by BCTC to enhance core competencies and accountability in our contractor management activities.

BCTC will be improving the operational tools that staff and contract managers use to evaluate the safety conformance and compliance of contractors and will provide additional due diligence training for construction and transmission line managers. BCTC will also update our Safety Management System in F2009 to create safety profiles for different employee groups, such as office workers, contract managers and field staff.

Goal Four: Build Open and Constructive Relationships with First Nations and Stakeholders

Objectives

→ Continue to develop relationships with First Nations and stakeholders so that consultations on BCTC's plans and proposals are productive and maintain a high level of positive responses from BCTC's stakeholders

Strategies

1. Engage First Nations and stakeholders early as part of BCTC's consultation and planning activities
2. Expand First Nations working involvement in BCTC projects and programs
3. Sustain positive, cooperative relationships with all First Nations and stakeholders
4. Ensure BCTC's Shareholder is fully apprised of our business objectives and operations

Measure: Stakeholder Satisfaction

Stakeholder response measures how well BCTC is meeting the expectations and needs of customers and stakeholders. An annual survey measures stakeholder awareness, impressions and satisfaction with BCTC, reported as the percentage of stakeholders who have a neutral, positive or very positive impression of BCTC.

Corporate Measure	F2006 Actual	F2007 Actual	F2008 Target	**F2008 Actual**	F2009 Target	F2010 Target	Results
Percentage of Stakeholders Positive or Neutral	91%	91%	90%	**87%**	89%	90%	Target not met

Importance of the Measure

The stakeholder survey results assist BCTC in refining corporate strategies and future actions in light of the needs of customers and stakeholders. The results also enable BCTC to compare our performance over time.

Benchmark Comparison

Comparable industry statistics are not available, therefore, results are compared to historical BCTC performance. BCTC now has the historical data to determine trends in performance, and is pursuing ways of comparing our performance to standards across a variety of industries.

Data Source/Reporting Period

A stakeholder survey was conducted by TNS Canadian Facts in March 2008. The survey included industrial and wholesale customers, IPPs, and Provincial and Municipal Government officials.

Performance Analysis

This year, BCTC did not achieve the performance target of 90 percent of stakeholders having a very positive, positive or neutral impression of BCTC. BCTC's overall result this year was 87 percent. Looking at the result by particular stakeholder groups, survey results from Provincial and Municipal Government stakeholders remained consistent with the previous year. Overall impressions of BCTC with commercial stakeholders dropped to 83 percent in F2008, down from 89 percent last year. These stakeholders include IPPs, wholesale and industrial customers.

Achievements

In F2008, BCTC continued to expand our consultation program with customers, First Nations and stakeholders. BCTC conducted more than 100 information sessions, workshops and stakeholder meetings, engaging First Nations, local government, individual property owners and interested community members early in our planning process. BCTC also reached out to other stakeholder groups in F2008, including the real estate and developer community, in order to increase awareness of BCTC and transmission line rights-of-way in BC.

Through constructive consultations with communities, BCTC successfully advanced our capital projects. With the Interior to Lower Mainland Project, BCTC organized community-focused consultations, designed to ensure open discussions about areas of concern for affected stakeholders. With BCTC's Central Vancouver Island Project, community members identified local routing concerns and BCTC undertook actions to address these issues. BCTC has filed a regulatory application with the BCUC for the Interior to Lower Mainland Project and expects to file an application for the Central Vancouver Island Project in F2009.

Fundamental challenges still exist for BCTC, and the electricity industry in general, in siting new transmission facilities. BCTC took steps to mitigate these challenges last year, developing and delivering comprehensive communications on electric and magnetic fields (EMF), working with public health officials, making information easily accessible on the Internet, and conducting community information sessions. In managing complex issues like EMF, BCTC recognizes the critical importance of early and detailed communication.

As new linear transmission facilities are developed, the use of existing utility rights-of-way can change, sometimes triggering local concerns. To help address this issue, BCTC conducted a communication program to help educate communities and stakeholders about how rights-of-way are used today and how they may be used in future.

Developing First Nations Capacity

In F2008, BCTC issued more than $2 million in contracts to 19 Aboriginal businesses, under our Aboriginal Business Development Program. This is approximately seven times more value in contract awards than in F2007, when the program began. The purpose of the program is to promote business opportunities between BCTC and Aboriginal businesses, to increase the number of service suppliers, and to develop Aboriginal suppliers over the long term. In F2008, BCTC awarded contracts for vegetation management, road building, clearing and environmental works, corporate-related services and others. For more information on the Aboriginal Business Development Program, see [illegible]

Goal Four: Build Open and Constructive Relationships with First Nations and Stakeholders

Investing in the Community

BCTC partnered with the First Nations Chiefs' Health Committee and the First Nations Education Steering Committee (FNESC) on Aboriginal youth science and math scholarships. The awards promote math and sciences at the elementary and secondary school level for BC Aboriginal students. By partnering with FNESC and the First Nations Chiefs' Health Committee on an Aboriginal youth science/math award, BCTC hopes to create a positive presence in the Aboriginal community, promote future math and science careers, and eventually attract Aboriginal graduates to BCTC's workforce.

BCTC is a major sponsor of the Cowichan 2008 North American Indigenous Games, which take place on Vancouver Island in August 2008.

During F2008, BCTC expanded our Community Investment Program. BCTC contributed to the Tree Canada Foundation, to help BC residents green their communities and restore habitat impacted by the coastal windstorms of 2006. The communities of Agassiz, Port Alberni, Central Saanich, North Vancouver, Lake Cowichan, Coquitlam and Lillooet all benefited under the program.

Looking Ahead

In F2009, BCTC will look to address the concerns of our commercial customers, whose satisfaction with our performance has declined. To enhance our services, BCTC has undertaken initiatives to improve the timelines and estimating accuracy of our studies, as well as the management of our interconnection projects. In addition, BCTC is working closely with BC Hydro to make the entire interconnection and call for power process more efficient.

One area of concern stakeholders have identified is the need for BCTC to advance transmission infrastructure in a timely manner. The need to advance transmission early and to synchronise with the shorter lead times of generation construction has been identified as an industry-wide issue throughout North America and Europe. In F2009, BCTC will begin consulting with stakeholders and First Nations in developing a long term transmission vision report which will analyze areas of potential generation development in BC over the next 30 years and identify the transmission requirements to bring electricity to load centres.

BCTC is planning extensive consultations with commercial stakeholders through F2009. Topics will include amendments to the Open Access Transmission Tariff, updates on potential Transmission Expansion Projects, coordination of inter-regional transmission initiatives and comprehensive customer information sessions.

BCTC will also participate in the BC Multi-sectoral Aboriginal Leadership Initiative, working in the Nuu-chah-nulth First Nations communities of Ehattesaht, Ahousaht, and Tseshaht. A goal of the initiative is to build relationships between people in isolated and semi-isolated communities with resource people in the corporate sector. This innovative project will benefit all participants through the development of new relationships and improving community engagement skills.

Goal Five: Build an Engaged and Highly Skilled Workforce

Objectives

→ Develop an organization with employees who understand the business objectives, know how they are counted on to contribute, and who have the motivation and capabilities to achieve the result

Strategies

1. Monitor current and anticipated workloads to ensure they are balanced against sufficient resources
2. Expand the pool of available resources and increase effectiveness in sourcing those resources
3. Develop internal resources by providing growth opportunities
4. Maximize effectiveness of available resources by focusing on employee engagement

Measure: Employee Engagement

Employee Engagement is the result of an annual employee survey that measures perceptions related to motivation, resource availability, capability and alignment to the goals and strategies of the organization.

Corporate Measure	F2006 Actual	F2007 Actual	F2008 Target	**F2008 Actual**	F2009 Target	F2010 Target	Results
Employee Engagement	3.35	3.55	3.40	**3.53**	3.48	3.51	Met target

Importance of the Measure

This measure is a leading indicator of BCTC's progress in developing a highly productive and engaged workforce. BCTC uses the results to shape ongoing employee initiatives.

Benchmark Comparison

BCTC's employee engagement result of 3.53 is higher than the average score of 3.51 in the Watson Wyatt WorkCanada Engagement Index study for F2007.

Data Source/Reporting Period

Watson Wyatt WorkCanada Engagement Index study for F2007.

Goal Five: Build an Engaged and Highly Skilled Workforce

Performance Analysis

BCTC relies on a highly skilled workforce within a competitive external labour market. Creating a workplace culture that fosters commitment to the organization is important to attract and retain employees who can help to deliver our mandate.

To measure progress, BCTC continues to use a measure based on surveying employee perceptions on four underlying drivers – employee alignment, capability, motivation, and the availability of resources.

In F2008, BCTC's Employee Engagement Index score was 3.53 out of five, consistent with the F2007 score of 3.55 and exceeding the corporate target of 3.40. The results demonstrate that specific actions taken to hire additional employees, improve communication about BCTC's direction and objectives, and increase leadership visibility have sustained a positive change in employee engagement.

Achievements

Meeting Resource Needs

During F2008, BCTC developed a five-year resource plan, which was approved by the BCTC Board and submitted to the BCUC. The plan is a longer term strategy to respond to a tight labour market and BCTC's aging, highly specialized workforce, and to ensure BCTC has sufficient organizational capacity to manage the work volumes and initiatives as a result of provincial growth, new policy direction and industry requirements.

BCTC has a comprehensive recruitment program, focused on entry level recruiting through university outreach and co-operative initiatives, as well as advertising for hard-to-source positions. The co-operative education program continued in F2008 with the organization benefiting from 24 co-op student placements in various areas of BCTC, including Technology, Asset Management, System Planning, System Operations, Public Affairs and Finance.

BCTC continues to participate in post secondary career fairs and to strengthen our presence and profile in the community. BCTC has funded scholarships within key post secondary programs at the University of British Columbia, the University of Victoria and the British Columbia Institute of Technology.

Developing Employees

BCTC has strengthened our internal development programs. In F2008, four electrical engineer graduates were hired as Engineers-in-Training (EIT) and participate in BCTC's Engineer Development Program. This two-year program provides EITs with the opportunity to gain greater understanding of engineering roles in key areas of BCTC, while enhancing skills and work experience.

Engaging and Retaining Employees

With approximately 40 percent of the organization involved in the new control centres, a key focus in F2008 was on building employee commitment to the project though employee consultation and ongoing consideration of impact on employees when making project-related decisions. This approach, in addition to reaching a renewed BCTC/International Brotherhood of Electrical Workers (IBEW) collective agreement during F2008 covering the majority of the employees impacted by SCMP, helped facilitate the transition of our employees to the new control centres.

Looking Ahead

BCTC will continue to build our workplace culture and take steps to improve our employees' engagement in the organization by:

- → Continuing our focus on longer term workforce planning, from recruiting today to fill critical skills gaps to developing BCTC's leaders to address the challenges of tomorrow
- → Growing BCTC's internal capabilities through learning and development programs to ensure the best quality training, education and development opportunities are available to BCTC employees. For information on BCTC's Integrated Leadership Development Program, see http://www.bctc.com/AboutUs/Careers/Training_Dev...
- → Ensuring clear line-of-sight between employee performance and achievement of BCTC's strategy and objectives through a rigorous and ongoing performance management process
- → Increased focus on inter-departmental communications to better integrate work programs in the organization
- → Recognition that employees have needs and priorities in their personal lives which they must balance with their work
- → Continued efforts to build and market BCTC's employment brand to ensure our employment opportunities are met by a source of future talent

Goal Six: Maintain Prudent Financial Management of Capital and Operating Expenditures

Objectives

→ Ensure that operating costs and actual net income results (after deferral accounts) are as planned each year

Strategies

1. Ensure annual risk management plans are effective in managing variability of costs
2. Gain regulatory approvals of transmission revenue requirements
3. Meet Vancouver Island Transmission Reinforcement Project on time/on budget milestones
4. Meet project milestones for all other capital projects
5. Review procurement policies and procedures to optimize cost-effectiveness
6. Establish systems to identify ongoing commitments and responsibilities associated with construction projects, contracts and stakeholder relationships to ensure that follow-up actions are completed in a timely and efficient manner

Measure: OMA Actual Against Plan

OMA is defined as Operations, Maintenance and Administration costs within BCTC's control. Certain transmission OMA costs within BC Hydro's exclusive control, including First Nations, properties and business sustaining costs, are excluded from this corporate measure.

Annual performance is measured in terms of percentage variance between actual results against the approved budget established at the beginning of the year. Targets are established to assess performance within a tight range of approved budgeted expenditures as BCTC's cost management objective is to execute business plans within approved budget level.

The following table presents historical results starting F2006, the first year of BCTC's operation as a regulated utility.

Corporate Measure	F2006 Actual	F2007 Actual	F2008 Actual	F2009 Target	F2010 Target	F2011 Target
Actual OMA Costs Divided by Plan (effective F2009 – F2011)	95.7%	97.6%	**101.7%***	98% - 102% of OMA Plan	98% - 102% of OMA Plan	98% - 102% of OMA Plan

*No target in F2008

BCTC is instructed in the F2008 Crown Corporation Annual Service Plan Report Guidelines to report against our new measure for cost management, OMA Actual against Plan. As the modification of this corporate measure took place in the fiscal year, BCTC is disclosing our performance for both old and new measures. BCTC did not meet the target for our former measure (OMA/GWh*km) largely because domestic energy delivered was 1.56 percent below the forecast amount. Our performance on this measure was 18.5 cents whereas our target was 18.0 cents for F2008. If the energy delivered was as planned, the OMA/GWh*km would have come to 18.2 cents.

Goal Six: Maintain Prudent Financial Management of Capital and Operating Expenditures

Importance of the Measure

As part of our Service Plan published in January 2008 (the F2009 Service Plan), BCTC revised Goal Six from "Financial Return" to "Cost Management". BCTC's financial objective is to complete effectively all planned work to meet our service obligations while managing costs and risks. The actual OMA costs divided by Plan measures how well the organizational OMA costs performed against Plan and the effectiveness of the planning and budgeting process.

Benchmark Comparison

OMA Actual against Plan is a new measure and a benchmark does not yet exist. BCTC will conduct a review in F2009 to identify opportunities to benchmark BCTC's results against other Canadian utilities. BCTC will also begin trending our results, year-to-year.

Data Source/Reporting Period

Actual OMA costs are reported in financial statements and adjusted for additional costs incurred to earn revenue (such as generator-funded system studies) and additional costs that can be deferred for recovery through future rates. OMA Plan is the amount included in the 2007 Service Plan.

Performance Analysis

BCTC actively managed resource allocation and cost performance during the year to address inflationary cost pressures and competing priorities. OMA and capital costs are monitored closely through monthly review and quarterly forecast. For the year, BCTC's OMA came in very close to Plan at 101.7 percent of Plan, after cost deferrals and adjustments for additional costs incurred to earn revenues.

While the overall transmission capital expenditures of $203 million are close to the $204.7 million Plan, there were changes in the mix and costs of the projects executed by BCTC in F2007 and F2008. Faced with increasing project costs as a result of the tight construction market and equipment supply, BCTC undertook a number of steps to manage our cost performance.

For the Vancouver Island Transmission Reinforcement Project, the BCUC's July 2006 decision set out a penalty and incentive mechanism based on project costs. BCTC currently estimates the total project cost will exceed the penalty threshold due to market conditions and unexpected environmental requirements, and occurred despite good management of the project. BCTC has requested the BCUC grant relief from the penalty and the decision is pending. OMA calculations in this report have been adjusted to reflect the impact of this potential penalty.

Achievements

Through major equipment multi year contracts with suppliers, BCTC benefited from better pricing by building volume discounts into the contracts. BCTC also looked offshore for major equipment including the Central Vancouver Island Project transformers, contacting suppliers in China and India. BCTC anticipates competitive pricing and delivery through these new supply channels.

During F2008, BCTC set up our Alliance Construction and Maintenance Program, to ensure construction resources are available to deliver the capital program. Through a public

pre-qualification process, five quality contractors have been qualified to perform reviews of project constructability and cost savings opportunities for BCTC. Constructability review is a project management technique to review the construction process from start to end to improve project outcomes, including cost efficiency.

In July 2007, BCTC undertook a review of our project management practices that resulted in improved cost estimates, updated project management information tools and enhanced risk analysis and risk management strategies. As a result of the project management improvement initiative, BCTC is better equipped to forecast the cost of projects and understand the potential risks. This initiative will continue in F2009 to ensure we continue to manage project costs most efficiently.

BCTC's Major Capital Projects group is focused on keeping projects on time and on budget. Contracts are structured to include built-in targets, deliverables and, where appropriate, performance incentives, with the aim of ensuring BCTC has identified and can track key milestones. Third party review of cost estimates brings added rigor to the cost management function. In addition, BCTC's disciplined approach to risk management, and regular reporting to Steering Committees and the BCUC, along with a focus on internal communication, keeps projects on track.

Looking Ahead

Cost management is a key priority for BCTC as cost inflation remains an area of concern. In addition to the OMA cost measure, BCTC will be developing a capital cost measure to assess the cost performance of the Capital Plan.

Key cost management initiatives for next year include:

- → Ensuring effective budgeting, forecasting, cost controls and monitoring processes are embedded into BCTC's management activities
- → Ensuring annual risk management plans are effective in managing variability of costs
- → Meeting on time/on budget milestones for all BCTC's capital projects
- → Optimizing the cost-effectiveness of relationships with service providers, including reviews of procurement policies and procedures

Corporate Governance

BCTC's Board of Directors is responsible for the governance and stewardship of BCTC. The Board's role is to set and maintain corporate direction, review and approve BCTC's strategic plan, set corporate objectives, monitor performance against those objectives and ensure processes are in place to identify, monitor and mitigate substantial business risks. The Board is responsible for the full and timely disclosure of BCTC's financial and business performance, and for monitoring material developments that could have a significant impact.

BCTC's Board of Directors oversees an internal governance framework guided by the corporate principles set out below. Established in F2004, these principles reflect BCTC's key values and provide direction to the organization in carrying out our business objectives:

- → Corporate Governance
- → Conduct Expectations
- → Safety
- → Environmental Responsibility
- → Technology, Security & Business Continuity
- → Workplace

In F2007, the BC Board Resourcing and Development Office established Governance and Disclosure Guidelines for Governing Boards of British Columbia Public Sector Organizations. These Guidelines set out governance principles and disclosure practices for public sector organizations in BC. The Board continues to ensure that BCTC's governance framework and disclosures comply with the Guidelines.

In F2008, the Shareholder's Letter of Expectations between the Minister of Energy, Mines and Petroleum Resources and BCTC was updated. The Letter sets out BCTC's mandate, performance expectations, strategic priorities and the respective roles and responsibilities of the Shareholder and BCTC. A copy of the letter is disclosed on BCTC's website (http://www.bctc.com/about_bctc/reports_performance).

For the further information on BCTC's Corporate Governance, see http://www.bctc.com/about_bctc/board_executive/corp_governance.

Board of Directors

The Board has four standing committees: the Audit Committee, Human Resources, Safety and Environment Committee, Capital Review Committee and Corporate Governance Committee. Terms of reference for the Board, its Committees, the Board Chair, President and Corporate Secretary are disclosed on BCTC's website (http://www.bctc.com/about_bctc/board_executive/corp_governance/F2008_board_activity.htm) and accompanied by director and executive biographies.

The mandate and membership* of each Committee is as follows:

Audit Committee

Supports the Board in fulfilling its obligations and oversight responsibilities relating to the audit process, financial reporting, internal controls, relationships with the external and internal Auditors, governance of BCTC's pension plan and oversight of BCTC's enterprise risk management framework.

Members:

*John Gill (Chair), Joanne McLeod, Norm Laythorpe***

Human Resources, Safety and Environment Committee

Provides guidance in the development of human resource policies to ensure BCTC is successful in attracting and retaining the resources needed to execute BCTC's mandate. Also responsible for monitoring BCTC's safety and environmental matters.

Members:

Ralph Winter (Chair), Bev Park, Margot Northey

Capital Review Committee

Supports the Board in the discharge of its responsibilities relating to BCTC's capital planning activities, budgets and projects.

Members:

Joanne McLeod (Chair), Richard Campbell, Bev Park

Corporate Governance Committee

Provides advice and recommendations relating to corporate governance, including the assessment of and recommendations for ensuring the effectiveness of the Board and its governance processes.

Members:

Nicole Byres (Chair), Richard Campbell, Gerald Wesley

* Board Chair Bob Reid serves as an ex-officio member of all Board Committees.

** Norm Laythorpe resigned from the BCTC Board of Directors effective March 17, 2008.

Directors and Officers (as at May 27, 2008)

Board of Directors

Bob Reid, Chair

O'Brian Blackall*

Nicole Byres

Richard Campbell

John Gill

Joanne McLeod

Margot Northey

Bev Park

Gerald Wesley

Ralph Winter

* O'Brian Blackall was appointed to the BCTC Board of Directors on April 4, 2008.

Corporate Officers

Jane Peverett
President & CEO

Janet Woodruff
VP, Corporate Services & CFO

Bruce Barrett
VP, Major Capital Projects

Martin Huang
VP, System Operations

John Irving
VP & General Counsel

Doug Little
VP, Customer & Strategy Development

Julius Pataky
VP, System Planning & Asset Management

Scott Boogemans
Director, Human Resources

Elizabeth Hong
Controller

Diana Stephenson
Corporate Secretary

2008 Financials

April 1, 2007 – March 31, 2008

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Management's Discussion and Analysis

Management has prepared a discussion and analysis of British Columbia Transmission Corporation's (BCTC) business operations and significant events that have affected the results of operations and financial position for the year ended March 31, 2008 (F2008) relative to the same period last year (F2007) and to the Service Plan published in January 2007 (F2008 Plan). References to transmission system and assets contained in this discussion and analysis include those systems and assets which BCTC plans, operates and manages on behalf of BC Hydro who owns the assets. This management's discussion and analysis should be read in conjunction with the audited financial statements and the accompanying notes. These financial statements have been prepared in accordance with Canadian generally accepted accounting principles (GAAP) and are expressed in Canadian dollars.

Management has included forward-looking statements, including statements regarding the business and anticipated financial performance of BCTC. These statements are subject to a number of risks and uncertainties that may cause actual results to differ from those contemplated in the forward-looking statements. This management's discussion and analysis has been prepared based on information as at May 27, 2008.

Financial Overview

BCTC is responsible for operating, maintaining and planning the growth of the high-voltage electric transmission system owned by BC Hydro. BCTC is a Crown corporation regulated by the British Columbia Utilities Commission (BCUC). The Minister of Energy, Mines and Petroleum Resources is the Minister responsible for BCTC.

BCTC's mandate is to ensure fair and open access to the transmission grid and create value and new opportunities for our customers and other stakeholders by providing safe, reliable and cost-effective transmission services. In February 2007, the Provincial Government released *The BC Energy Plan, A Vision for Clean Energy Leadership*. BCTC plays a key role in delivering on the objectives of the Energy Plan. BCTC supports the achievement of the self-sufficiency objective by ensuring needed transmission infrastructure is constructed to integrate new clean or renewable generation on a timely basis.

($ in millions)	F2008 Actual	F2007 Actual	F2006 Actual
Net Income	$ 3.2	$ 3.1	$ 13.5
Total Assets	186.1	146.5	137.3
Debt	85.9	37.0	37.2
Shareholder's Equity	43.8	40.6	37.8
Debt to Equity Ratio*	58:42	43:57	48:52
Transmission Capital Expenditures			
Assets Owned by BCTC	70.1	50.4	21.4
Transmission Assets Owned by BC Hydro	203.0	183.8	123.7
Total Capital Expenditures	$ 273.1	$ 234.2	$ 145.1
Point-to-Point Sales Volume (GWh)			
Long term	8,710	5,958	4,190
Short term	12,922	14,087	10,933
Full Time Equivalents (FTEs)**	384	360	321

* Debt to Equity Ratio is calculated based on the average of the opening and closing balances. Debt is defined as short term debt, long term debt and obligations under capital lease less short term investments.

** FTEs are defined as regular employees at March 31, 2008.

During the past fiscal year, BC TC continued to advance its mandate in a number of ways. BC TC has made significant investment in its capital program in order to meet the growing electricity needs of the robust provincial economy. Concurrent with strong business growth and BC Hydro's Call for Tender process, BC TC experienced an increase in activity related to Independent Power Producers (IPPs) and other third party requests for interconnection and facilities studies. Throughout this period of business growth, BC TC has remained fiscally responsible by maintaining Tariff rates at F2007 levels and prudently managing its operating costs.

Investment in transmission assets continued to grow and $273.1 million of capital expenditures were made in F2008 to meet the growing demands for electricity, maintain and enhance the existing transmission assets and update obsolete technology. Several large capital projects were in progress during the year including:

BC TC's *System Control Modernization Project* (SCMP) to consolidate and replace the old system control centre and four area control centres with a modern Energy Management System (EMS) located in the Fraser Valley with a backup site located in the Southern Interior has been completed ahead of schedule. New control centre assets totalling $120.1 million were placed in service as at March 31, 2008. BC TC issued a $40 million debenture in F2008 as part of the financing program for the project.

The *Vancouver Island Transmission Reinforcement (VITR) Project* to install a new 230 kV submarine cable circuit from the Lower Mainland to Vancouver Island is proceeding as scheduled to meet with the October 2008 in-service date. In F2008, $82.6 million were expended on the VITR project and a total of $111.3 million were spent as of March 31, 2008. The forecast total cost of the project is $294.4 million.

The *Mission-Matsqui Reinforcement Project* will address increased load growth in the Matsqui/Abbotsford area and address reliability concerns in the communities of Mission, Port Kells and Maple Ridge. Total F2008 expenditures were $17.2 million and the total project cost to March 31, 2008 is $23.7 million. Total cost of the project is currently forecast to be $50.0 million.

The *Interior to Lower Mainland Reinforcement (ILM) Project* is required to reinforce the transmission system from BC's interior to the Lower Mainland, with an estimated in-service date of October 2014. BC TC's current planning cost estimate for this project is approximately $602.0 million. A Certificate of Public Convenience and Necessity (CPCN) application was filed with the BCUC in November 2007. In F2008, $9.2 million was spent on the ILM definition phase.

BC TC continued to experience increasing activity related to generator and load interconnection requests. Of the 18 IPPs identified from BC Hydro's 2006 Call for Tender, two have signed Facilities Agreements and six have signed Early Engineering & Procurement Agreements in F2008. In F2008, $5.8 million was spent on IPP projects.

On November 26, 2007, the Galore Creek Partnership (GCP) announced the suspension of construction activities at the Galore Creek project in Northern BC due to higher than anticipated capital costs and a longer construction schedule. As a result, the Northwest Transmission Line (NTL) Project was put on hold and BC TC has recovered its project development costs from BC Hydro.

In addition to utilizing the transmission system to serve domestic load, there has been increasing usage for point-to-point (PTP) services over the past three years.

BC TC sought and received BCUC approval to maintain F2008 Tariff rates at the F2007 approved rates. In order to maintain rates despite rising costs, BC TC had filed an application and received BCUC approval to change from Interest During Construction (IDC) to Allowance for Funds Used During Construction (AFUDC) accounting which allows the capitalization of allowed return on equity as part of capital projects.

BC TC continues to manage its operating costs in a prudent manner. Operations, maintenance and administration (OMA) expenses increased from the prior year reflecting continued business growth. The number of employees grew by 24 employees to support the increased level of interconnection and facilities study requests and to support the maintenance and capital growth of the transmission system. As well, BC TC recognized transition costs for SCMP and also experienced higher emergency maintenance costs related to theft and vandalism, avalanche repairs and storm activity. BC TC also incurred project development costs which were fully recovered in revenue.

Results of Operations

Results of operations for the years ended March 31, 2008 and March 31, 2007 are summarized below.

($ in millions)	F2008 Actual	F2007 Actual	Variance
Revenues			
Tariff	$ 68.5	$ 68.0	$ 0.5
Asset management and maintenance fee	87.3	87.3	–
Non-tariff	37.6	34.5	3.1
Total Revenue	**193.4**	**189.8**	**3.6**
Expenses			
OMA	177.6	167.8	(9.8)
Depreciation	14.4	14.2	(0.2)
Cost of market and other asset related costs	6.3	6.5	0.2
Total Expenses	**198.3**	**188.5**	**(9.8)**
(Loss) Income from Operations	(4.9)	1.3	(6.2)
Other income	3.8	–	3.8
(Loss) Income before Deferral Accounts Transfers	(1.1)	1.3	(2.4)
Deferral Accounts	4.3	1.8	2.5
Net Income	**$ 3.2**	**$ 3.1**	**$ 0.1**

F2008 Actual versus F2007 Actual

Net income for the year ended March 31, 2008 is $3.2 million compared to $3.1 million for the same period last year. Growth in capital spending and the adoption of AFUDC accounting resulted in an increase in interest costs and equity costs being capitalized for recovery through future rates. This along with higher study revenues had a positive impact to net income which was partially offset by higher operating costs.

Tariff Revenues

BCTC earns revenues for transmission services provided under its Open Access Transmission Tariff (OATT). Tariff revenue is BCTC's share of the revenue collected for network services, PTP and ancillary services under the OATT tariffs. The 11.370 percent and 88.630 percent (F2007 – 11.404 percent and 88.596 percent) split between BCTC and BC Hydro respectively for network and PTP services is based on BCUC approved revenue requirements. BCTC and BC Hydro's respective shares of the OATT revenue are recorded in the individual companies' financial accounts. The following table shows the total tariff revenues billed under the OATT tariff during F2008.

($ in millions)	Tariff Revenue Billed under BCTC's Tariff	BC Hydro's Revenue	BCTC's Revenue
Network Integrated Transmission Services	$ 439.2	$ 389.3	$ 49.9
Point-to-Point Services			
Long term	45.6	40.4	5.2
Short term	15.5	13.8	1.7
Ancillary Services	8.2	-	8.2
Total OATT Revenues	**508.5**	**443.5**	**65.0**
FortisBC General Wheeling Agreement	3.5	-	3.5
Total Tariff Revenues	**$ 512.0**	**$ 443.5**	**$ 68.5**

Although BCTC maintained Tariff rates at F2007 levels, BCTC's tariff revenue billings for F2008 were $512.0 million (F2007 - $506.0 million), an increase of $6.0 million from prior year primarily driven by higher volumes in long term firm PTP transmission service, partially offset by decreased short term PTP sales. During F2008, BCTC sold $45.6 million or 8,710,116 MWh (F2007 - $31.2 million or 5,958,304 MWh) in long term PTP services at an average rate of $5.23/MWh (F2007 - $5.24/MWh). For the same period, BCTC sold $15.5 million or 12,922,480 MWh (F2007 - $25.3 million or 14,087,962 MWh) in short term PTP services at an average rate of $1.20/MWh (F2007 - $1.80/MWh). The lower short term PTP transmission rate is primarily due to an increase in transmission volume at zero price.

Of BCTC's total OATT revenue of $65.0 million (F2007 - $64.6 million), $59.5 million (F2007 – $59.4 million) was earned from BC Hydro.

Non-Tariff Revenues

Non-tariff services are largely related to services provided to BC Hydro under Service Level Agreements (SLAs), including the Asset Management and Maintenance Fee, and other non-tariff services.

Non-tariff revenue of $124.9 million (F2007 - $121.8 million) is $3.1 million higher than the prior year primarily due to the recovery of $2.3 million project development costs from BC Hydro, higher facilities maintenance work for BC Hydro and higher study revenues related to growth activity. Non-tariff revenue also includes investment income which has decreased from prior year due to lower investment balances.

Operations, Maintenance and Administration Expenses (OMA)

OMA expenses consist of internal and external resources deployed to execute annual work programs and special initiatives. In F2008, faced with the growth in business activity, a tight labour market and general cost inflation, OMA costs increased to $177.6 million from $167.8 million in F2007. Of the $177.6 million, $20.8 million (F2007 - $16.3 million) are flow through recoveries of costs related to studies work, project development costs and other services for BC Hydro.

BC Hydro's Field Operations and Engineering Services provide asset maintenance and engineering services to BCTC in accordance with service level agreements. During F2008, BCTC incurred $61.1 million and $12.4 million (F2007 - $59.3 million and $13.8 million) of Field Operations and Engineering Services costs respectively. In June 2007, BCTC engaged the use of a second engineering service provider to assist in handling the high volume of engineering and transmission capital project work.

OMA expenses are shown in the table below.

($ in millions)	F2008 Actual	F2007 Actual	Variance
Operations	$ 47.5	$ 41.9	$ (5.6)
Maintenance	105.5	100.1	(5.4)
General and Administration	24.6	25.8	1.2
Total OMA	**177.6**	**167.8**	**(9.8)**
Less: Transfers to Deferral Accounts			
Emergency Maintenance	(3.9)	(0.8)	3.1
Regulatory	(0.4)	(0.1)	0.3
OMA Net of Deferrals	**$ 173.3**	**$ 166.9**	**$ (6.4)**

Operations costs relate to system planning, the real-time operation of the transmission system, including transition costs for SCMP and market/tariff operations and administration. Operations costs increased by $5.6 million from prior year primarily due to the higher IPP and facilities study requests requiring increased internal resources and higher flow through study expenses which were recovered from the IPPs. Organization and process redesign for the System Planning & Performance Assessment group also contributed to the cost increase in F2008. Included in Operations costs is a $1.6 million non-recurring cost for a potential penalty relating to the VITR project as described in Note 21(c) to the Financial Statements.

Maintenance costs relate to the asset management and maintenance of BC Hydro's $2.7 billion transmission system and station assets. The increase in F2008 of $5.4 million over prior year is primarily due to increased emergency maintenance related to theft, vandalism, avalanche repairs and storm activity, non-recurring project development costs and higher headcount related to business growth.

Emergency maintenance costs totalled $5.9 million (F2007 - $2.8 million) primarily for avalanche repairs in Terrace, flood maintenance preparation, storm repairs in Prince Rupert and theft and vandalism. $3.9 million of emergency maintenance costs have been transferred to the deferral account and BCTC will be seeking BCUC approval for recovery of these deferred costs in F2009.

General and Administration costs include oversight and strategic management of BCTC business operations as well as enterprise-wide support services for the organization and its service providers. The decrease of $1.2 million over the prior year is primarily due to higher capitalized overhead costs related to the higher capital spending and lower Accenture Business Services (ABSU) expenses resulting from the repatriation of accounting services and procurement roles, partially offset by higher headcount related to business growth.

Other Income

Other income comprises the equity portion of AFUDC. The increase of $3.8 million in F2008 is due to the adoption of AFUDC effective April 1, 2007.

Deferral Accounts

BCTC maintains various regulated deferral accounts as approved by the BCUC. The deferral accounts accumulate the difference between the BCUC approved amounts and the actual tariff revenues, cost of market and certain operating expenses for recovery from or refund to customers in a future time period. In F2008 the net variance from these deferral accounts resulted in the recording of a regulatory deferral asset that increased the net income reported by $4.3 million (F2007 - $1.8 million).

Each deferral account accrues interest monthly on the balance recorded in the deferral account. The interest is based on BCTC's annual weighted average cost of debt, which, for F2008 was 4.42 percent (F2007 - 4.22 percent). The balances recorded in each deferral account at March 31, 2008, including interest, are:

($ in millions)	OATT Revenue	Emergency Maintenance	Cost of Market	Regulatory Cost	Total
Total Deferral Accounts as at March 31, 2007	$ 15.8	$ 0.8	$ (1.9)	$ 0.1	$ 14.8
(Recovered)/Refunded	(15.7)	(0.8)	2.0	(0.1)	(14.6)
F2008 Deferral amounts	8.9	3.9	(1.9)	0.4	11.3
Interest	0.6	0.1	(0.1)	-	0.6
Total Deferral Accounts as at March 31, 2008	**$ 9.6**	**$ 4.0**	**$ (1.9)**	**$ 0.4**	**$ 12.1**

The F2008 OATT Revenue Deferral amount of $8.9 million reflects the $10.5 million variance between actual OATT revenues and the BCUC approved amount, offset by the potential $1.6 million VITR penalty which if materializes, will be paid to customers through the clearing of the revenue deferral account in F2009 as disclosed in Note 7 and Note 21(c) of the Financial Statements.

The refund of the $0.4 million revenue sufficiency arising from the adoption of AFUDC has been netted with the disposition of the March 31, 2007 deferral account balances. BCTC's deferral accounts are subject to review and approval by the BCUC before the account balances can be recovered from customers.

Summary of Financial Position

The following table summarizes BCTC's financial position as at March 31, 2008 and March 31, 2007.

($ in millions)	F2008 Actual	F2007 Actual	Variance
Current Assets	$ 28.2	$ 43.4	$ (15.2)
Property, Plant and Equipment	155.7	100.1	55.6
Other Assets	2.2	3.0	(0.8)
Total Assets	**$ 186.1**	**$ 146.5**	**$ 39.6**
Current Liabilities	$ 71.7	$ 46.6	$ 25.1
Long Term Debt	46.7	36.9	9.8
Other Long Term Liabilities	23.9	22.4	1.5
Total Liabilities	**142.3**	**105.9**	**36.4**
Shareholder's Equity	43.8	40.6	3.2
Total Liabilities and Shareholder's Equity	**$ 186.1**	**$ 146.5**	**$ 39.6**

The growth in BCTC's balance sheet was largely driven by SCMP. To fund the capital expenditures, BCTC drew down on its cash and short term investments and incurred additional debt. Net impact of these changes resulted in total assets growing by $39.6 million. Current liabilities have increased primarily due to the reclassification of BCTC's $30 million debenture, issued in May 2004, from long term debt as the debenture matures in December 2008.

The F2008 year end actual debt to equity ratio is now 57.8 to 42.2 which is close to the deemed capital structure of 59.3 to 40.7.

Liquidity and Capital Resources

The following table provides a summary of cash flow.

($ in millions)	F2008 Actual	F2007 Actual	Variance
Cash and Cash Equivalents, Beginning of Year	$ 13.3	$ 36.0	$ (22.7)
Cash Provided by (Used in):			
Operating Activities	4.3	28.5	(24.2)
Investing Activities	(58.9)	(51.1)	(7.8)
Financing Activities	49.5	(0.1)	49.6
Decrease in Cash	(5.1)	(22.7)	17.6
Cash and Cash Equivalents, End of Year	**$ 8.2**	**$ 13.3**	**$ (5.1)**

Operating Activities

Cash provided by operating activities decreased in F2008 primarily due to the impact of AFUDC accounting and to changes in non-cash working capital. The adoption of AFUDC accounting increased the non-cash capitalization of interest and equity costs in F2008 compared to F2007. On a year over year basis, the change in non-cash working capital was a reduction in cash primarily due to lower accounts payable and accrued liabilities and a lower amount owing to BC Hydro.

Investing Activities

Cash used in investing activities increased by $7.8 million from prior year primarily due to higher capital expenditures for SCMP, partially offset by a reduction in short term investments to fund the capital expenditures.

Financing Activities

Cash provided by financing activities in F2008 was $49.5 million compared to cash used by financing activities of $0.1 million in the prior year primarily due to higher debt financing required to fund capital expenditures, as well as short term borrowings to fund BCTC's operations relative to the timing of cash receipts and outlays.

Capital Resources

Short term liquidity is provided through surplus cash invested in money market and other short term investments and funds from operations during the year, supplemented with short term commercial paper borrowings from the Province of British Columbia as required. The Province limits short term commercial paper borrowing to $25.0 million. Under the terms of an agreement with the Province of British Columbia, the short term commercial paper borrowing limit can be increased temporarily to $40.0 million for up to two months. Additionally, BCTC has a $5.0 million demand revolving credit facility for general corporate purposes with a chartered bank. The facility is available by way of Canadian or US dollar overdrafts and is priced at the prime rate for Canadian dollar overdrafts and the US base rate, respectively.

BCTC had an active short term borrowing program in F2008 to take advantage of low interest rates and the expectation that the Tariff rate increase effective April 1, 2008 will begin generating cash flow to repay short term borrowings. During F2008, BCTC borrowed $86.9 million and repaid $77.9 million in short term debt for a net amount of $9.0 million to finance capital expenditures and fund operations. The $8.2 million cash and cash equivalents on hand reflect timing of cash receipts for tariff revenues prior to year end relative to payment of BC Hydro service charges after March 31, 2008.

Long term financing is provided by the Province of British Columbia through an off-lending arrangement and the issuance of matching debentures to the Province. In May 2004, BCTC issued a $30.0 million debenture, at a coupon rate of 4.30 percent, maturing in December 2008. In June 2007, BCTC issued a $40.0 million debenture, at a coupon rate of 4.75 percent, maturing in June 2017 primarily to finance SCMP.

Comparison to Service Plan

F2008 Actual versus F2008 Plan

Under the *Budget Transparency and Accountability Act* (BTAA), Crown agencies are required to include in their annual report a comparison of the actual performance for the fiscal year then ended against the planned performance submitted in the annual service plan. The F2008 Plan shown below is the financial plan submitted by BCTC in its January 2007 Service Plan. A copy of this Service Plan is available on BCTC's website at www.bctc.com.

($ in millions)	F2008 Actual	F2008 Plan	Variance
Revenues			
Tariff	$ 68.5	$ 77.7	$ (9.2)
Asset management and maintenance fee	87.3	85.7	1.6
Non-tariff	37.6	31.7	5.9
Total Revenue	**193.4**	**195.1**	**(1.7)**
Expenses			
OMA	177.6	170.3	(7.3)
Depreciation	14.4	13.6	(0.8)
Cost of market and other asset related costs	6.3	5.6	(0.7)
Total Expenses	**198.3**	**189.5**	**(8.8)**
(Loss) Income from Operations	(4.9)	5.6	(10.5)
Other income	3.8	-	3.8
(Loss) Income before Deferral Accounts Transfers	(1.1)	5.6	(6.7)
Deferral Accounts	4.3	-	4.3
Net Income	**$ 3.2**	**$ 5.6**	**$ (2.4)**

Revenues

Tariff revenue of $68.5 million is $9.2 million below Plan primarily due to BCTC maintaining F2008 rates at F2007 level. Actual Network Integrated Transmission Services (NITS) revenue was $49.9 million compared to $58.2 million in the Service Plan. PTP transmission services revenue was lower due to lower rates partially offset by higher volumes and by higher ancillary services revenues. Asset management and maintenance fee of $87.3 million reflects the F2007 approved level. The higher non-tariff revenue relative to Plan is primarily due to the project cost recovery from BC Hydro, revenue from engineering studies and design work, and higher flow through substation distribution asset management fees.

Expenses

Expenses are higher than Plan largely due to additional OMA costs incurred for emergency maintenance and legal costs offset by lower contractor and consulting, business expenses, insurance, and reduced advertising costs. $3.9 million of emergency maintenance costs and $0.4 million of regulatory costs have been transferred to their respective deferral accounts and BCTC will be seeking BCUC approval to recover these deferred costs in F2009.

Other Income

Other income comprises the equity portion of AFUDC. The F2008 amount of $3.8 million is higher than Plan as the approval and adoption of AFUDC effective April 1, 2007 was subsequent to the Plan approval.

Net Income

Net income for the year ended March 31, 2008 is $3.2 million compared to the Plan net income of $5.6 million. This decrease from Plan is primarily due to lower Tariff revenue and higher OMA expenses partially offset by the impact of adoption of AFUDC accounting resulting in an increase in interest costs and equity costs being capitalized for recovery through future rates.

Transmission Capital Expenditures

Capital expenditures for control centres, information technology and office facilities are financed and owned by BCTC whereas those relating to the transmission system are financed and owned by BC Hydro. The transmission capital expenditures are accounted for and reported in BC Hydro's financial accounts as the owner of transmission assets and are not reflected in BCTC's financial statements.

Transmission capital expenditures for F2008 are summarized in the table below.

($ in millions)	F2008 Actual	F2007 Actual	Variance from Actual	F2008 Plan	Variance from Plan
Assets Owned by BCTC					
Control Centre Technologies	$ 63.7	$ 46.4	$ (17.3)	$ 58.8	$ (4.9)
Information Technologies	4.2	3.8	(0.4)	7.9	3.7
Facilities	2.2	0.2	(2.0)	1.1	(1.1)
Total BCTC Capital Expenditures	**$ 70.1**	**$ 50.4**	**$ (19.7)**	**$ 67.8**	**$ (2.3)**
Transmission Assets Owned by BC Hydro					
Sustaining Capital	$ 82.4	$ 89.0	$ 6.6	$ 90.2	$ 7.8
Growth Capital	141.1	103.7	(37.4)	122.5	(18.6)
Less: Contributions in Aid of Construction	(20.5)	(8.9)	11.6	(8.0)	12.5
Transmission Capital Investments on behalf of BC Hydro	**$ 203.0**	**$ 183.8**	**$ (19.2)**	**$ 204.7**	**$ 1.7**

Assets Owned by BCTC

Capital expenditures totalled $70.1 million in F2008, a $19.7 million increase over the prior year primarily due to capital expenditures for SCMP and to additional office space requirements related to increased headcount.

Compared to F2008 Plan of $67.8 million, BCTC's capital expenditures were $2.3 million above Plan primarily due to the timing of SCMP capital expenditures and higher facilities costs related to office expansion partially offset by the timing of information technology projects.

System Control Modernization Project (SCMP)

This project is to replace BCTC's existing system control centre and four area control centres with a modern Energy Management System (EMS) located in the Fraser Valley with a backup site located in the Southern Interior. As at March 31, 2008, the project is complete and $120.1 million of costs have been placed in service. This state of the art facility will allow BCTC to increase the efficiency of transmission system operations, enhance reliability and resolve seismic issues at the existing control centres.

Assets Owned by BC Hydro

BCTC expended $203.0 million (F2007 - $183.8 million) on transmission capital projects on behalf of BC Hydro during F2008. The level of capital expenditure is higher than last year primarily due to the VITR project, increased IPP projects and increased investments in system reinforcement and expansion to meet load growth, partially offset by higher contributions in aid from generator interconnection projects.

There are two main drivers for capital investment in the transmission assets owned by BC Hydro: sustaining performance capability and growth to meet load and customer interconnection requests.

Sustaining capital expenditures are designed to maintain an appropriate level of asset health and system performance. These investments typically involve refurbishment or replacement of existing equipment, with the objective of extending life or preserving functionality. In addition, some sustaining investments are made to reduce risks, such as those associated with safety and environmental issues, and to meet industry standards in programs such as seismic upgrades, spill containment, and fire risk reduction. During F2008, $82.4 million (F2007 - $89.0 million) was invested in station and protection and control equipment, transmission lines and cables and telecommunication equipment.

Growth capital includes investments required to extend and enhance the system to meet growth in load and use of the system, and to accommodate transmission customer and generator interconnection requests. During F2008, BCTC invested $141.1 million (F2007 - $103.7 million) in growth capital. Investments in growth capital are forecast to be significantly higher in F2009 and will remain high over the next few years to address the rapid load and generation growth in the province, including a large number of generator interconnection additions as a result of BC Hydro's recent Calls for Tender.

For certain customer requested projects, including transmission customer load connections and generator interconnections, the customers are required to contribute toward the project cost based on established tariff. For third parties' projects to relocate transmission lines, BCTC will be reimbursed for costs. These customer payments are categorized as contributions in aid of construction. During F2008, BCTC received $20.5 million (F2007 - $8.9 million) in contributions in aid of construction.

Compared to the F2008 Plan of $204.7 million, actual transmission capital expenditures were $1.7 million below Plan primarily due to cash flow shifts and project deferrals to F2009 for some growth projects and to higher than anticipated contributions in aid for generator interconnection projects partially offset by cost escalations for the VITR project and unplanned customer requested projects.

The major capital projects in the construction phase with forecast costs in excess of $50.0 million are as follows:

Vancouver Island Transmission Reinforcement (VITR) Project
The Vancouver Island Transmission Reinforcement (VITR) Project is to install a new 230 kV submarine cable circuit from the Lower Mainland to Vancouver Island with an in-service date of October 2008. The new circuit will allow peak demand to be met on Vancouver Island, accommodate growth requirements and replace existing transmission circuits which are reaching end of life. The VITR project is proceeding as scheduled. Total F2008 expenditures were $82.6 million and the total project cost to March 31, 2008 is $111.3 million. Total cost of the project is currently forecast to be $294.4 million.

Mission-Matsqui Reinforcement Project
The Mission-Matsqui Reinforcement Project will address increased load growth in the Matsqui/Abbotsford area and address reliability concerns in the communities of Mission, Port Kells and Maple Ridge. Total F2008 expenditures were $17.2 million and the total project cost to March 31, 2008 is $23.7 million. Total cost of the project is currently forecast to be $50.0 million.

Other capital projects are as follows:

Interior to Lower Mainland Reinforcement (ILM) Project
The Interior to Lower Mainland Reinforcement (ILM) Project is required to reinforce the transmission system from BC's interior to the Lower Mainland, with an estimated in-service date of October 2014. BCTC's current planning cost estimate for this project is approximately $602.0 million. This reinforcement will meet anticipated growth requirements for electricity in the Lower Mainland, ensure existing transmission commitments are met and transport increased generation resulting from projects planned in the Southern Interior. A Certificate of Public Convenience and Necessity (CPCN) application was filed in November 2007.

IPP Projects
BCTC continues to experience increasing planning and study activity related to interconnection IPPs. Of the 18 IPPs identified from BC Hydro's 2006 Call for Tender, two have signed Facilities Agreements and six have signed Early Engineering & Procurement Agreements in F2008. In F2008, $5.8 million was spent on IPP projects.

Critical Accounting Policies and Estimates

The preparation of BCTC's financial statements requires management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues, costs, and related disclosures of commitments and contingencies. BCTC has based its estimates and judgments on historical experience, current conditions and various other assumptions that are believed to be reasonable under the circumstances. Actual results may differ from these estimates and judgments.

New Accounting Policies

Allowance for Funds Used During Construction (AFUDC)

On March 21, 2007, BCTC filed an Application for approval of Allowance for Funds Used During Construction accounting treatment which was approved by the BCUC on June 12, 2007. In its decision, the BCUC approved BCTC's change from the Interest During Construction (IDC) methodology to the AFUDC method of accounting on a prospective basis effective April 1, 2007. The IDC methodology only capitalizes interest related to Construction Work in Progress (CWIP) but the return on equity related to CWIP is recovered in current rates. AFUDC allows for the capitalization of the return on equity relating to CWIP balances that does not affect current period rates and allows BCTC to comply with Special Direction No. 9.

AFUDC is included in the cost of the property, plant and equipment. AFUDC is based on BCTC's weighted average cost of capital, which includes a return on equity and a cost of debt component. The debt portion of AFUDC is deducted from finance charges and the equity portion of AFUDC is recorded as Other Income.

In the Application, BCTC had forecasted that a change to the AFUDC methodology would give rise to a $0.4 million revenue sufficiency based on BCTC's F2008 financial forecast for costs, tariff revenues at existing rates and non-tariff revenues, which was filed with the BCUC on March 20, 2007. This revenue sufficiency benefit has been refunded back to customers by netting it with the disposition of the March 31, 2007 Deferral Accounts, as approved by Commission Order G-106-07.

Financial Instruments

On April 1, 2007, BCTC adopted four new accounting standards that were issued by the Canadian Institute of Chartered Accountants (CICA) Handbook: Section 1530 *Comprehensive Income*, Section 3855 *Financial Instruments Recognition and Measurement*, Section 3861 *Financial Instruments – Disclosure and Presentation*, and Section 3865 *Hedges*. The adoption of these new standards did not have any material impact on net income.

Section 1530 *Comprehensive Income* provides guidance in the reporting of comprehensive income and other comprehensive income. Comprehensive income comprises net income and other comprehensive income (OCI). OCI represents changes in shareholders' equity in a period arising from transactions and changes in the fair value of available-for-sale securities and the effective portion of cash flow hedging instruments. BCTC performed an assessment and concluded that BCTC does not have any OCI transactions or have designated any financial instruments as available-for-sale.

Section 3855 *Financial Instruments – Recognition and Measurement* establishes standards for recognizing and measuring financial instruments including financial assets, financial liabilities and non-financial derivatives. Financial instruments are to be classified either as held-for-trading, held-to-maturity, loans and receivables, available-for-sale, or other financial liabilities. All financial instruments, regardless of classification, are required to be measured at fair value on initial recognition except for certain related party transactions. Subsequent to initial recognition, measurement of financial instruments will depend on its classification.

BCTC has classified its financial instruments as follows:

- Cash and cash equivalents and short term investments are classified as held-for-trading.
- Accounts receivable and mortgage receivables are classified as loans and receivables.
- Accounts payable and accrued liabilities, short term debt, accrued interest, and long term debt are classified as other financial liabilities.

Section 3865 *Hedges* establishes guidance on how hedge accounting is applied and reported, including the criteria that must be satisfied in order for it to be applied for fair value hedges and cash flow hedges. Adoption of hedge accounting is optional. BCTC had no hedge transactions for the year ended March 31, 2008.

Accounting Changes

Section 1506 *Accounting Changes* prescribes the criteria for changing accounting policies, together with the accounting treatment and disclosure of changes in accounting policies, changes in accounting estimates and corrections of errors.

Emerging Accounting Pronouncements

Transition to International Financial Reporting Standards (IFRS)

In February 2008, the Canadian Accounting Standards Board (AcSB) confirmed the decision and timeline to adopt globally accepted accounting standards by converging Canadian generally accepted accounting principles (GAAP) with International Financial Reporting Standards (IFRS). The AcSB confirmed that the date for the first full set of IFRS financial statements will be for fiscal years beginning on or after January 1, 2011. Therefore for BCTC, the first full set of IFRS financial statements will be required for the interim and annual financial statements for F2012. Although F2011 will be the last year for financial statements under current GAAP, BCTC will be required to run a parallel set of IFRS books for F2011 to be used as comparatives for F2012 reporting. In addition to this, there will be other required milestones and deliverables as per the AcSB timeline. BCTC is currently in the planning stages for the transition to IFRS.

Accounting for Rate-Regulated Operations

The AcSB issued an Exposure Draft, "Rate-Regulated Operations" in March 2007 proposing to remove explicit guidance for rate-regulated operations from the CICA Handbook. The Rate-Regulated Operations Exposure Draft resulted in a Decision Summary in August 2007, which listed a number of amendments.

In December 2007, the CICA issued the guidance stating that the temporary exemption pertaining to the recognition and measurement of assets and liabilities arising from rate regulation in Section 1100 *Generally Accepted Accounting Principles* has been removed; Section 3465 *Income Taxes* has been updated for future income tax liabilities and assets, and AcG-19 *Disclosures by Entities Subject to Rate Regulation* has been amended for disclosures by entities subject to rate regulation. The requirements of the Sections are effective for fiscal years beginning on or after January 1, 2009. These proposed changes have no impact on BCTC's accounting for regulatory assets and liabilities.

Financial Instruments – Disclosures and Presentation

Section 3862 *Financial Instruments – Disclosures* and Section 3863 *Financial Instruments – Presentation* were issued in December 2006, which are effective for fiscal years beginning on or after October 1, 2007. These two sections will require entities to provide disclosures that enhance financial statement users' understanding of an entity's financial position and performance and the nature and extent of risks associated with them. BCTC does not expect that the adoption of these standards will have an impact on net income.

Capital Disclosures

Section 1535 *Capital Disclosures* was issued in December 2006, which is effective for fiscal years beginning on or after October 1, 2007. The Section establishes standards for disclosures about capital, including qualitative and quantitative information about management of capital. BCTC does not expect that the adoption of this standard will have an impact on net income.

Risk Management

BCTC is exposed to a variety of business and operating risks. BCTC's enterprise risk management efforts are overseen by a Risk Management Committee composed of five members of the Executive Leadership Team and by the Audit Committee of the Board of Directors.

Since F2005, BCTC has used an Enterprise Risk Management (ERM) framework to identify, assess, mitigate and monitor risks to provide reasonable assurance that its corporate and business objectives will be met. BCTC utilizes a Corporate Risk Matrix to determine the severity classification of certain risks, ranging from Low to Extreme. This classification is based on the likelihood of the following impact criteria: Safety, Financial, Reliability, Market Efficiency, Relationships, Organization & People and Environment.

In F2008, BCTC continued the efforts in enterprise risk management with the implementation of risk mitigation plans for the key corporate risks. BCTC's risk profile is reviewed regularly. BCTC employs various risk management strategies to mitigate its risk exposure. For certain types of risks, BCTC uses insurance as an effective mechanism for risk transfer. BCTC has in place a comprehensive insurance program with limits that are within the acceptable range of industry practices.

Risk of interruption to mission critical business processes is managed, in part, through an enterprise business continuity management program. The program encompasses emergency response planning, information system disaster recovery planning and other contingency planning initiatives, including grid outage, facility disruptions and loss of key staff. The program ensures that our personnel, assets, information systems, and operations are resilient to potential business disruptive events. Regular program reporting is provided to the Risk Management Committee and the Audit Committee of the Board of Directors.

Following are some of the general types of risks that BCTC faces:

Labour Risk

Forty percent of BCTC's employees are represented by either the International Brotherhood of Electrical Workers (IBEW) or the Canadian Office and Professional Employees Union (COPE). In the event of a labour dispute, essential services are protected by legislation but BCTC still could face some degree of operational risk related to providing service to customers. The COPE Collective Agreement (60 employees) expires in March 2010. A new IBEW Collective Agreement (101 employees) was reached in January 2008 and expires in March 2010.

BCTC relies on a small, highly skilled workforce within an increasingly competitive labour market. The average age of employees is 46 years. Voluntary attrition for F2008, inclusive of retirement, is 7.9 percent (F2007 – 8.5 percent). The forecast for F2009 and F2010 ranges from seven percent to nine percent. In order to manage this risk, BCTC continues its emphasis on succession and workforce planning, recruitment strategies and active management of other key attraction and retention factors. In addition, staffing levels have increased due to workload considerations, including increased knowledge transfer requirements and training considerations.

The Human Resources, Safety and Environment Committee provides guidance to senior management on the development of human resource policies to ensure BCTC is successful in attracting and retaining the human resources needed to execute BCTC's mandate.

Labour risk did not have a significant impact on BCTC's financial performance in F2008.

Regulatory Risk

The Master Agreement signed between BCTC and BC Hydro requires BC Hydro to fund those capital projects approved by the BCUC. The cost of any capital project constructed by BCTC and funded by BC Hydro for which approval of the BCUC is denied will not be recoverable through BCTC's rates and must be repaid to BC Hydro. BCTC manages this risk through prudent planning, seeking approvals as early as they can be obtained and by minimizing any capital activity in advance of the necessary approvals. BCTC has not experienced any disallowance of capital expenditures in respect of F2008.

BCTC has received approval from the BCUC for certain deferral accounts in which to record the differences between forecast and actual revenues or costs. BCTC is subject to the same deferral account clearance risks as other regulated companies and manages this risk by ensuring deferred costs and revenues are prudent and by demonstrating prudent action to the BCUC.

Project and Program Risk

BCTC mitigates program execution risks through the application of policies, processes and standards. Each capital or maintenance project is evaluated for regulatory, cost, schedule, scope, performance, utilization, functionality, environmental and safety risks. As the project moves through the various life cycle phases (Study, Definition, Execution and Operation), these risks are managed using well established industry practices. For execution phase risks, the risk management plan is documented in the project plan. Monitoring of identified and emerging risks is undertaken throughout the execution phase. Based on project and program performance during F2008, no major risks materialized that negatively impacted BCTC's financial performance except for the $1.6 million potential penalty relating to the VITR project as described in Note 21(c) of the Financial Statements.

Public resistance has emerged in jurisdictions where new transmission infrastructure is being planned. BCTC is responding to these challenges in siting new transmission facilities by improving the public consultation processes to provide better and more timely information to communities adjacent to new transmission projects.

Operational Risk

BCTC operates, plans, and manages BC Hydro's transmission system assets and exercises exclusive authority for electric transmission reliability in British Columbia. In the execution of this mandate, BCTC manages risks that could potentially impact the reliability, capacity, sustainment, safety or environmental performance of the transmission system. Monitoring asset health and performance allows risk reduction programs to be initiated to mitigate risk events. BCTC actively participates in the Western Electricity Coordinating Council (WECC) and operates and plans the system in compliance with WECC and North American Electric Reliability Council (NERC) guidelines. BCTC also actively co-ordinates regional transmission planning with neighbouring utilities. A comprehensive system of operating policy and local and system operating orders safeguard against worker and public endangerment, equipment damage, loss of reliability and loss of public support. In F2008, the overall reliability of BC's transmission system was impacted by a wild fire incident. This resulted in a SAIDI of 2.43 hours compared to a target of 2.18 hours.

Environmental, Health and Safety Risk

These risks are managed by use of International Organization for Standardization (ISO) standards for environmental and safety management systems. BCTC has an annual audit program that reviews the various parts of these management systems with respect to the ISO Standards, organization commitments and regulatory requirements. The structure and timing of these audits are consistent with the ISO Standards. Where risk mitigation is required, appropriate management and operational controls are implemented.

In day to day practice, BCTC uses the management systems it has developed to identify, assess, and control environmental, change management, health and safety risks. The Human Resources, Safety and Environment Committee of the Board of Directors has oversight responsibility for matters relating to the environment, health and safety.

Security Risk

Security risks are managed through an enterprise security management program that encompasses physical, cyber and personnel security. The security program ensures that BCTC's personnel, assets, information systems, and operations are cost-effectively protected from security threats and resilient to potential business disruptive events commensurate with risk exposures. Security reporting is provided to the Risk Management Committee and the Audit Committee of the Board of Directors. Currently, the most common security problem, which is increasing in frequency and cost, is substation copper theft, resulting from the high value of base metals. In F2008, BCTC initiated an annual program to improve Station Physical Security.

Credit Risk

Credit risk is the risk of loss in the event that a counterparty fails to fulfill its payment obligations. A counterparty is typically a customer, under the OATT tariff.

BCTC has a low risk tolerance for credit risk and has established stringent credit policies and procedures for the day to day management of credit risk exposure. Transmission services are provided only to those customers whose debt, as determined by debt rating agencies, meets BCTC's creditworthiness criteria or upon receipt of acceptable security. The management of credit risk is centralized under the Chief Financial Officer from a strategic and operational perspective. Credit risk is measured on an ongoing basis and a monthly credit review and exposure report is provided to management for review. In F2008, BCTC did not experience any credit loss from customer accounts.

F2009 Outlook

The outlook for F2009 will see BCTC continuing to make significant progress toward meeting its corporate strategies and objectives outlined in this annual report and the January 2008 Service Plan. Below is the three year forecast of BCTC's results of operations.

($ in millions)	F2009 Forecast	F2010 Forecast	F2011 Forecast
Revenues			
Tariff	$ 94.0	$ 87.6	$ 92.4
Asset management and maintenance fee	90.5	92.7	94.7
Non-tariff	43.5	43.4	43.4
Total Revenue	**228.0**	**223.7**	**230.5**
Expenses			
OMA	190.3	191.6	194.1
Depreciation	20.9	16.4	20.3
Cost of market and other asset related costs	10.7	10.2	10.1
Total Expenses	**221.9**	**218.2**	**224.5**
Income from Operations	**6.1**	**5.5**	**6.0**
Other income	0.1	0.6	0.1
Net Income	**$ 6.2**	**$ 6.1**	**$ 6.1**
Transmission Capital Expenditures			
Assets owned by BCTC	20.7	21.7	9.6
Transmission assets owned by BC Hydro	501.0	412.6	462.4
Total Capital Expenditures	**$ 521.7**	**$ 434.3**	**$ 472.0**
Debt	$ 79.2	$ 76.8	$ 73.5
Shareholder's equity	$ 49.1	$ 55.2	$ 59.8
Debt to equity ratio	62:38	58:42	51:49

BCTC filed an application for Tariff rates for F2009 and F2010 in February 2008. BCTC is requesting rates which will result in a 10.8 percent increase to the NITS charge to BC Hydro in F2009 and a further 7.4 percent increase in F2010. The impact on BC Hydro end-use rates of the transmission rate increase will be 1.7 percent and 1.2 percent in F2009 and F2010 respectively. In this filing, BCTC has applied for a Transmission Revenue Requirement of $570.8 million with offsetting PTP and ancillary service revenues fo ecast to be $84.0 million for F2009. The BCUC approved interim rates effective April 1, 2008 and established a written review process for the application. A settlement conference is scheduled for mid-May. This proposed increase is driven by the following factors.

BCTC forecasts significant growth in transmission system investments to address higher electricity demand, forecast by BC Hydro, and increased generation additions. The number of capital projects is forecast to almost double between F2007 and F2009. Approximately 75 percent of the proposed F2009 increase is driven by the SCMP and VITR projects. There are a number of major capital projects underway and capital expenditures for F2009, including transmission projects on behalf of BC Hydro, are forecast at $501.0 million, an increase of $298.0 million from F2008 expenditures.

In anticipation of BC Hydro's Calls for Tender and Standing Offer Program, BCTC is anticipating a significant increase in the number of interconnection requests leading to approximately 100 generator studies. These will result in increased demands on BCTC to assess, plan and provide transmission service to new generators.

BCTC will continue initiatives to ensure compliance with new and existing industry standards. New initiatives include achieving consistency of BCTC's tariff with US Federal Energy Regulatory Commission (FERC) Order 890 and implementing Mandatory Reliability Standards. BCTC also expects to remain compliant with existing industry reliability standards developed by NERC and WECC.

BCTC will also be faced with cost escalation in a number of areas for F2009. Labour cost inflation is forecasted to be approximately three percent and therefore will impact BCTC's OMA expense. BC Hydro's service provider rates are increasing 6.7 percent and will impact BCTC's maintenance programs. Lastly, tightly constrained markets for labour, materials and equipment have resulted in cost escalation impacts on BCTC's capital projects, significantly outpacing general economic inflation.

Partially offsetting the impacts of the anticipated cost increases above are a number of efficiency gains achieved by BCTC. Although the asset related costs of SCMP will increase rates in F2009, SCMP will result in employee cost reductions partially offsetting the cost increases. BCTC's asset management strategies such as extension of maintenance intervals, work bundling and using salvaged asset parts is forecast to yield ongoing savings of approximately $2 million per year. Finally, the in-sourcing of certain functions has proven effective in reducing costs. For F2009, BCTC expects to achieve annual savings in legal, purchasing and financial services by replacing external service providers with permanent full time equivalent roles.

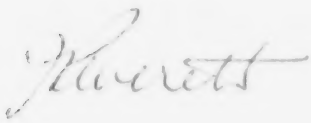
Management Report

The financial statements of British Columbia Transmission Corporation (BCTC) are the responsibility of management and have been prepared in accordance with Canadian generally accepted accounting principles, consistently applied and appropriate in the circumstances. The preparation of financial statements necessarily involves the use of estimates, which have been made usin careful judgment. In management's opinion, the financial statements have been properly prepared within the framework of the accounting policies summarized in the financial statements and incorporate, within reasonable limits of materiality, all informatio available at May 27, 2008. The financial statements have also been reviewed by the Audit Committee and approved by the Board Directors.

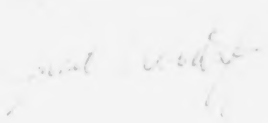
Management maintains systems of internal controls designed to provide reasonable assurance that assets are safe-guarded and t reliable financial information is available on a timely basis. These systems include formal written policies and procedures, careful selection and training of qualified personnel and appropriate delegation of authority and segregation of responsibilities within th organization. An internal audit function independently evaluates the effectiveness of these internal controls on an ongoing basis and reports its findings to management and the Audit Committee.

The financial statements as at March 31, 2008, and for the year then ended have been examined by an independent external aud The external auditor's responsibility is to express his opinion on whether the financial statements, in all material respects, fairly present BCTC's financial position, results of operations, retained earnings and cash flows in accordance with Canadian generally accepted accounting principles. The Auditor's Report, which follows, outlines the scope of his examination and his opinion.

The Board of Directors, through the Audit Committee, is responsible for ensuring that management fulfills its responsibility for financial reporting and internal controls. The Audit Committee, comprising directors who are not employees, meets regularly wit the external auditor, the internal auditor and management to satisfy itself that each group has properly discharged its responsibil to review the financial statements before recommending approval by the Board of Directors. The internal and external auditors h full and open access to the Audit Committee, with and without the presence of management.



Jane Peverett
President and CEO



Janet Woodruff
Vice President, Corporate Services and CFO

Vancouver, Canada
May 27, 2008

Report of the Auditor General of British Columbia

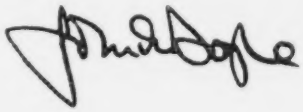
To the Members of the Board of British Columbia Transmission Corporation, and

To the Minister of Energy, Mines and Petroleum Resources, Province of British Columbia:

I have audited the balance sheet of *British Columbia Transmission Corporation* as at March 31, 2008 and the statements of operations, retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of *British Columbia Transmission Corporation* as at March 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.



Victoria, British Columbia
May 27, 2008

John Doyle
Auditor General

Statement of Operations and Other Comprehensive Income

For the years ended March 31 ($ in thousands)	2008	*(Restated - Note 2)* 2007
Revenue		
Tariff (Note 12)	**$ 68,545**	$ 68,001
Asset management and maintenance (Note 12)	**87,300**	87,300
Service fees and other (Note 12)	**36,977**	32,148
Investment income	**583**	2,375
	193,405	189,824
Expenses		
Cost of market (Note 17)	**4,993**	4,965
Operations, maintenance and administration (Notes 12 and 21(c))	**177,640**	167,830
Taxes and grants	**273**	304
Depreciation and amortization	**14,442**	14,162
Finance charges (Note 18)	**995**	1,229
	198,343	188,490
(Loss) Income From Operations	**(4,938)**	1,334
(Loss) income (Note 4)	**3,858**	-
(Loss) Income before Deferral Account Transfers	**(1,080)**	1,334
Deferral accounts (Note 7)	**4,268**	1,797
Net Income and Other Comprehensive Income	**$ 3,188**	$ 3,131

Statement of Retained Earnings

For the years ended March 31 ($ in thousands)	2008	*(Restated - Note 2)* 2007
Retained Earnings, beginning of year, as previously reported	**$ 19,019**	$ 17,770
Prior period adjustment (Note 2(a))	**-**	(1,493)
Prior period adjustment (Note 2(b))	**1,584**	1,195
Retained Earnings, beginning of year, as adjusted for prior period adjustments	**20,603**	17,472
Transition adjustment upon change in accounting policy (Note 4)	**2**	
Net income and other comprehensive income	**3,188**	3,131
Retained Earnings, end of year	**$ 23,793**	$ 20,603

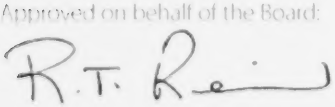
See accompanying notes to the financial statements.

Balance Sheet

as at March 31 ($ in thousands)	2008	*(Restated - Note 2)* 2007
ASSETS		
Current Assets		
Cash and cash equivalents	$ 8,152	$ 13,299
Short term investments (Note 6)	-	7,350
Accounts receivable	4,079	4,525
Prepaid expenses (Note 9)	3,918	3,484
Deferral accounts (Note 7)	12,108	14,751
	28,257	43,409
Other Assets (Note 8)	664	699
Prepaid Expenses - Long Term (Note 9)	1,506	2,309
Property, Plant and Equipment (Note 10)	155,713	100,102
	$ 186,140	$ 146,519
LIABILITIES AND SHAREHOLDER'S EQUITY		
Current Liabilities		
Current portion of obligations under capital lease (Note 15)	$ 115	$ 107
Short term debt (Note 11)	9,012	-
Current portion of long term debt (Note 11)	30,036	-
Accounts payable and accrued liabilities	19,473	27,051
Accrued interest	1,010	376
Deferred revenue	622	1,061
Deferred leasehold inducements	1,771	1,518
Due to BC Hydro (Note 12)	9,643	16,490
	71,682	46,603
Accrued Employee Benefits (Note 13)	22,981	21,467
Asset Retirement Obligation (Note 14)	972	927
Long Term Debt (Note 11)	39,988	30,079
Obligations Under Capital Lease (Note 15)	6,724	6,840
	142,347	105,916
Shareholder's Equity		
Share capital (Note 16)	20,000	20,000
Retained earnings	23,793	20,603
	43,793	40,603
	$ 186,140	$ 146,519

Commitments and contingencies (Note 21)
Subsequent events (Note 22)
See accompanying notes to the financial statements.

Approved on behalf of the Board:



R.T. (Bob) Reid
Chair of the Board

John Gill
Chair, Audit Committee

Statement of Cash Flows

For the years ended March 31 ($ in thousands)	2008	*(Restated - Note 2)* 2007
Operating Activities		
Net income	$ 3,188	$ 3,131
Adjustment for non-cash items:		
Depreciation and amortization	14,442	14,162
Other amortization expense included in operations, maintenance and administration	627	683
Allowance for funds used during construction - equity	(3,858)	–
Accrued employee benefits changes	1,514	1,594
	15,913	19,570
Changes in non-cash working capital:		
Accounts receivable and prepaid expenses	12	(1,555)
Due (to) from BC Hydro	(6,847)	36,587
Accounts payable and accrued liabilities	(7,578)	12,388
Accrued interest and deferred revenue	195	(378)
Deferral accounts	2,643	(38,144)
	(11,575)	8,898
Cash provided by operating activities	4,338	28,468
Investing Activities		
Property, plant and equipment expenditures	(66,195)	(50,636)
Short term investments	7,350	(108)
Addition to long term prepaid expenses	(153)	–
Other assets, net of repayment	35	(364)
Cash used for investing activities	(58,963)	(51,108)
Financing Activities		
Proceeds from long term debt, net	39,988	–
Proceeds from short term debt	86,924	–
Repayment of short term debt	(77,912)	
Leasehold inducements	586	
Principal payments of obligations under capital lease	(108)	(99)
Cash provided by (used for) financing activities	49,478	(99)
Decrease in cash and cash equivalents	(5,147)	(22,739)
Cash and cash equivalents, beginning of year	13,299	36,038
Cash and cash equivalents, end of year	$ 8,152	$ 13,299
Supplemental disclosure of cash flow information		
Interest paid	$ 3,092	$ 1,450

See accompanying notes to the financial statements.

Notes to the Financial Statements

Note 1: Nature of Operations

The British Columbia Transmission Corporation (BCTC) is a provincial Crown corporation incorporated on May 2, 2003 under the BC *Business Corporations Act*. BCTC is authorized by the *Transmission Corporation Act* (May 29, 2003) and the Key Agreements designated by the Lieutenant Governor in Council (November 20, 2003) pursuant to that Act to plan, operate and manage the British Columbia Hydro and Power Authority's (BC Hydro) electric transmission system. As part of the British Columbia Energy Plan, BCTC's mandate is to plan, operate and manage BC Hydro's transmission assets and provide open and non-discriminatory access to BC's electric transmission system. BCTC reports to the Minister of Energy, Mines and Petroleum Resources and is regulated by the British Columbia Utilities Commission (BCUC).

Note 2: Prior Period Adjustments

(a) In the approved F2005/2006 Revenue Requirement application, BCTC included $1,493,000 of maintenance work as part of operations, maintenance and administration costs recovered from customers through rates. The actual costs were funded and capitalized as BC Hydro Transmission capital in F2006 as it was determined that the work performed extended the life of the assets. This will result in an unintentional double recovery of the same costs from customers over the assets' useful life. As agreed during the Negotiated Settlement process, BCTC applied and the BCUC approved Accounting Order G-11-07 to eliminate the potential double recovery. The Accounting Order requires BCTC to recognize the $1,493,000 as a prior period adjustment.

(b) During the year, management identified certain invoices that should be recorded as prepaid expenses. The adjustment to reflect prepaid expenses has been applied retrospectively, which increased net assets at March 31, 2008 and March 31, 2007 by $1,584,000, decreased operations, maintenance and administration expense, and increased net income for the year ended March 31, 2007 by $389,000. There was no net income impact for the year ended March 31, 2008.

Note 3: Significant Accounting Policies

The accompanying financial statements have been prepared in accordance with Canadian generally accepted accounting principles (GAAP) and are expressed in Canadian dollars.

Use of Estimates

Management has made a number of estimates and assumptions related to the reporting of assets, liabilities, revenues, expenses and disclosure of contingent assets and liabilities to prepare these financial statements in conformity with Canadian GAAP. Actual results could differ from these estimates.

Regulation

BCTC adopted the Canadian Institute of Chartered Accountants (CICA) Accounting Guideline AcG-19 *"Disclosures by Entities Subject to Rate Regulation"* which provides disclosure requirements for rate-regulated entities.

Cash and Cash Equivalents

Cash and cash equivalents include cash and units in money market funds with original maturity dates of less than 90 days from the original date of acquisition.

Short Term Investments

Short term investments consist of units in bond pooled funds which invest in government securities or securities guaranteed by government.

Property, Plant and Equipment

Property, plant and equipment are recorded at cost. During the construction of new assets, direct costs plus a portion of overhead

costs and related financing costs and return on equity are capitalized using the Allowance for Funds Used During Construction (AFUDC) method described in Note 4. Construction is transferred to property, plant and equipment when the asset is substantially complete and available for use. Upon retirement or disposal, any gain or loss is charged to depreciation and amortization.

Depreciation commences in the month after an asset is put into service. Depreciation is provided principally on a straight-line basis over the estimated useful lives of the assets as follows:

Buildings	45 years
Computer hardware and software	3 – 10 years
Communication equipment	7 – 30 years
Furniture and equipment	5 – 35 years
Leasehold improvements	10 years

Asset Retirement Obligation

An asset retirement obligation is a legal obligation associated with the retirement of an owned or leased tangible, long-lived asset. The asset retirement obligation is recorded at fair value when an estimate of fair value can be reasonably determined. When the liability is initially recorded, an equivalent amount is added to the carrying value of the related asset. Thereafter, period to period changes to the liability are recognized for the passage of time and for revisions to the timing or amount of the original estimate. The capitalized cost is amortized over the estimated useful life of the asset.

Leases

Leases are classified as capital or operating depending upon the terms and conditions of the contracts.

Asset values recorded under capital leases are amortized on a straight-line basis over their estimated useful lives. Obligations recorded under capital leases are reduced by lease payments net of imputed interest.

Deferred Revenue

Deferred revenue consists principally of amounts received under Preliminary Study Agreements to investigate the requirements for interconnecting independent power generation facilities to the transmission system. The amounts received are deferred and included in income when earned.

Leasehold Inducements

Leasehold inducements are monies advanced on an operating lease for premises by the property owner. Inducements are amortized over the period of the lease and reduce lease expenses.

Revenue Recognition

BCTC earns revenues under the Open Access Transmission Tariff (OATT). OATT revenue is recognized on an accrual basis as services are provided. Tariffs are applicable to network integration transmission services, point-to-point and ancillary services.

Revenues earned through the provision of non-tariff services to BC Hydro for asset management and maintenance, generation related transmission asset management, and generation dispatch are recognized on a straight-line basis over the term of the contract.

Revenues earned through the provision of non-tariff services to BC Hydro for distribution operations and substation distribution asset management are recognized on an accrual basis as services are provided.

Other non-tariff services include engineering services provided to third parties and are recognized on an accrual basis as services are provided.

Foreign Currency Translation

Foreign currency denominated revenues and expenses are translated into Canadian dollars at the rate of exchange in effect at the transaction date. Foreign currency denominated monetary assets and liabilities are translated into Canadian dollars at the rate of exchange prevailing at the balance sheet date. Foreign exchange gains and losses are included in the determination of net income.

Pension and Other Retirement Benefit Plans

The actuarial determination of the accrued benefit obligation for pensions and other retirement benefits uses the projected benefit method prorated on service, which incorporates management's best estimate of future salary levels, health care cost escalation, retirement ages of employees and other actuarial factors. For the purpose of calculating the expected return on plan assets, those assets are valued at fair value.

Actuarial gains (losses) arise from the difference between the actual long term rate of return on plan assets for a period and the expected long term rate of return on plan assets for that period, from differences in actual experience versus the assumed experience or from changes in actuarial assumptions used to determine the accrued benefit obligation. The excess of the net accumulated actuarial gain (loss) over 10 percent of the greater of the accrued benefit obligation and the fair value of plan assets is amortized over the average remaining service period of active employees. The average remaining service period of the active employees is 10 years.

Comparative Figures

Certain comparative figures have been reclassified to conform to the presentation adopted in the current year.

Note 4: Adoption of New Accounting Policies

Allowance for Funds Used During Construction (AFUDC)

On March 21, 2007, BCTC filed an Application for approval of Allowance for Funds Used During Construction accounting treatment which was approved by the BCUC on June 12, 2007. In its decision, the BCUC approved BCTC's change from the Interest During Construction (IDC) methodology to the AFUDC method of accounting on a prospective basis effective April 1, 2007. The IDC methodology only capitalizes interest related to Construction Work in Progress (CWIP) but the return on equity related to CWIP is recovered in current rates. AFUDC allows for the capitalization of the return on equity relating to CWIP balances that does not affect current period rates and allows BCTC to comply with Special Direction No. 9.

AFUDC is included in the cost of the property, plant and equipment. AFUDC is based on BCTC's forecasted weighted average cost of capital, which includes a return on equity and a cost of debt component. For the year ended March 31, 2008, the $2,243,000 debt portion of AFUDC is deducted from finance charges (Note 18) and the $3,858,000 equity portion of AFUDC is recorded as other income. The total AFUDC included in the cost of property, plant and equipment is $6,101,000.

In the Application, BCTC had forecasted that a change from IDC to the AFUDC methodology would give rise to a $400,000 revenue sufficiency (see Note 7) based on BCTC's F2008 financial forecast for costs, tariff revenues at existing rates and non-tariff revenues, which was filed with the BCUC on March 20, 2007. This revenue sufficiency benefit has been refunded back to customers by netting it with the disposition of the March 31, 2007 Deferral Accounts, as approved by Commission Order G-106-07.

Financial Instruments

On April 1, 2007, BCTC adopted four new accounting standards that were issued by the CICA: Section 1530 *Comprehensive Income*, Section 3855 *Financial Instruments – Recognition and Measurement*, Section 3861 *Financial Instruments – Disclosure and Presentation*, and Section 3865 *Hedges*. The adoption of these new standards did not have any material impact on net income. The prior year comparative figures have not been restated.

Section 1530 *Comprehensive Income* provides guidance in the reporting of comprehensive income and other comprehensive income. Comprehensive income comprises net income and other comprehensive income (OCI). OCI represents changes in shareholders' equity in a period arising from transactions and changes in the fair value of available-for-sale securities and the effective portion of cash flow hedging instruments. BCTC did not have any OCI transactions or any opening or closing balances for accumulated other comprehensive income or loss.

Section 3855 *Financial Instruments – Recognition and Measurement* establishes standards for recognizing and measuring financial instruments including financial assets, financial liabilities and non-financial derivatives. Financial instruments are to be classified either as held for trading, held to maturity, loans and receivables, available-for-sale, or other financial liabilities. Regardless of classification, financial instruments are required to be measured at fair value on initial recognition except for certain related party transactions.

After initial recognition, measurement of a financial instrument will depend on its classification. Held for trading financial instruments are subsequently measured at fair value and changes in fair value are recognized immediately in net income. Financial instruments classified as held-to-maturity, loans and receivables and other financial liabilities are subsequently measured at amortized cost using the effective interest rate method of amortization. Available-for-sale financial instruments are subsequently measured at fair value with changes in fair value recorded in OCI. Derivative financial instruments are generally classified as held-for-trading and measured at fair value, with all gains and losses resulting from changes in their fair value included in income in the period in which they arise.

BCTC has classified its financial instruments as follows:

- Cash and cash equivalents and short term investments are classified as held for trading.
- Accounts receivable and mortgages receivable are classified as loans and receivables.
- Accounts payable and accrued liabilities, short term debt, accrued interest, and long term debt are classified as other financial liabilities.

BCTC had one foreign currency contract that was designated as a derivative and a $148,000 loss was recognized into net income for the year. There were no open foreign currency contracts at March 31, 2008.

As a result of adopting Section 3855, $2,000 was recorded as an opening retained earnings adjustment for the change from the straight-line method to the effective interest rate method of amortization related to long term debt. Transaction costs of $16,000 have been reclassified to long term debt from other assets to reflect the policy of capitalizing long term debt transaction costs within long term debt. BCTC previously had amortized deferred transaction costs on a straight-line basis over the life of the related long term debt. Transaction costs are now amortized using the effective interest rate method over the life of the related long term debt.

Section 3865 *Hedges* establishes guidance on how hedge accounting is applied and reported, including the criteria that must be satisfied in order for it to be applied for fair value hedges and cash flow hedges. Adoption of hedge accounting is optional. BCTC had no hedge transactions for the year ended March 31, 2008.

Accounting Changes

Section 1506 *Accounting Changes* prescribes the criteria for changing accounting policies, together with the accounting treatment and disclosure of changes in accounting policies, changes in accounting estimates and correction of errors. The section requires that when an entity has not applied a new primary source of GAAP that has been issued but is not yet effective, that the entity provide disclosure and any known or reasonably estimable information of the impacts of the new primary source of GAAP on the entity's financial statements in the period of initial application. BCTC adopted Section 1506 effective April 1, 2007.

Note 5: New Accounting Standards

Section 3862 *Financial Instruments – Disclosures* and Section 3863 *Financial Instruments – Presentation* were issued in December 2006 and are effective for fiscal years beginning on or after October 1, 2007. These two sections will require entities to provide disclosures that enhance financial statement users' understanding of an entity's financial position and performance and the nature and extent of risks associated with them. BCTC does not expect that the adoption of these standards will have an impact on net income.

Section 1535 *Capital Disclosures* was issued in December 2006 and is effective for fiscal years beginning on or after October 1, 2007. The section establishes standards for disclosures about capital, including qualitative and quantitative information about management of capital. BCTC does not expect that the adoption of this standard will have an impact on net income.

Note 6: Short Term Investments

($ in thousands)	**2008**	*2007*
Short term bond unitized fund	**$ -**	$ 3,611
Index government bond units	-	3,739
Total	**$ -**	$ 7,350

Short term investments are recorded at fair value.

Note 7: Regulation

Effective April 1, 2005, BCTC is regulated by BCUC which approves BCTC's revenue requirement, rates, tariffs and capital expenditures following open, public processes.

BCTC operates under cost of service regulation and applies to the BCUC for the approval of rates recovering an annual revenue requirement. For the year ended March 31, 2008, BCTC earned transmission revenues under tariffs that were projected to recover a 12.05 percent (F2007 - 13.10 percent) return on deemed equity. Special Direction No. 9 sets out BCTC's deemed equity structure for the purpose of setting rates.

Currently, BCTC maintains BCUC approved deferral accounts for OATT related revenue, emergency maintenance costs, cost of market, and regulatory expenditures. The deferral accounts accumulate the difference between the BCUC approved amounts and the actual revenues and costs for recovery from or refund to customers through future rates. The period over which these deferral accounts will be recovered is indeterminable. In the absence of rate regulation, these accounts would not exist.

Revenue Deferral Account

As outlined in the Master Agreement between BCTC and BC Hydro and designated by the Lieutenant Governor in Council on November 20, 2003, BCTC administers OATT for transmission services to recover its own costs as well as costs incurred by BC Hydro. BCTC therefore bears the financial responsibility for funding any shortfalls or receiving surpluses in the total OATT Revenue Requirement for each fiscal year. BCUC has approved the establishment of the Revenue Deferral Account and other regulatory mechanisms to recover revenue shortfalls from or refund revenue surpluses to customers. Consequently, BCTC's deferral account includes a portion pertaining to BC Hydro's Revenue Requirement for transmission services.

BCTC's Revenue Deferral Account captures annual variances between the OATT revenues approved by the BCUC and the actual revenues for both BCTC and BC Hydro. BCTC reports the full amount of its own OATT revenue in tariff revenue on the statement of operations. Any variance from approved OATT revenues is added or deducted from earnings and recorded in the balance sheet deferral account. BC Hydro records its portion of the approved OATT revenues in its financial statements and these revenues are not recorded in the statements of BCTC. However, any variance between BC Hydro's actual OATT revenues and BC Hydro's approved OATT revenue is recorded in BCTC's deferral account and an equivalent amount accrued as a receivable or payable to BC Hydro. The Revenue Deferral Account also includes variances relating to BCTC's ancillary services.

Emergency Maintenance Deferral Account

This account captures the variances between approved and actual non-capital emergency maintenance expenditures incurred as a result of unanticipated major equipment failures, extreme weather, wildfires or similar events.

Cost of Market Deferral Account

This account captures variances between approved and actual cost of market expenditures. Cost of market expenditures include:

- Congestion management expenses relating to the purchase of operating reserves, transmission location credits, unscheduled flow mitigation and operating agreements between control areas, and
- Ancillary services expense BCTC incurs for all generation-based ancillary services that BCTC, in turn, sells to customers on a cost flow through basis.

Regulatory Expense Deferral Account

This account captures the variances between approved and actual regulatory costs. These costs include BCTC's counsel, experts and staff, hearing costs associated with the applications and intervenors costs as approved by the BCUC.

The deferral account balances as at March 31, 2008 are as follows:

($ in thousands)	March 31, 2007 Balance	(Recovered)/ Refunded	BCTC's Revenue Requirement	BC Hydro's Revenue Requirement	Net Interest	March 31, 2008 Balance
Revenue	$ 15,767	$ (15,700)	$ 275	$ 8,713	$ 605	$ 9,660
Emergency Maintenance	813	(830)	3,911	-	84	3,978
Cost of Market	(1,925)	1,966	(1,855)	-	(85)	(1,899)
Regulatory Expense	96	(98)	362	-	9	369
Total	$ 14,751	$ (14,662)	$ 2,693	$ 8,713	$ 613	$ 12,108

The interest on deferred revenue includes $305,000 (F2007 - $164,000) interest income for BC Hydro's portion of the revenue requirement. This amount is not reflected in BCTC's finance charges.

The interest recorded in each of the deferral accounts was based on BCTC's weighted average cost of debt of 4.42 percent (F2007 - 4.22 percent).

During the year, the actual OATT revenues earned by BCTC were $1,850,000 less than the approved amount and this amount was recorded in the BCTC's Revenue Requirement portion for the Revenue Deferral Account for recovery from the customers. The $1,575,000 potential penalty relating to the VITR project as described in Note 21(c) reduced BCTC's deferral amount to $275,000 for the year.

The total BCTC Revenue Requirement balance of $2,693,000 is comprised of the current year deferral transfer of $4,268,000 less the $1,575,000 VITR penalty.

The $400,000 revenue sufficiency benefit arising from the adoption of AFUDC has been netted with the disposition of the March 31, 2007 Deferral Account balances as described in Note 4.

Note 8: Other Assets

Other assets consist solely of mortgages receivable. BCTC has an Employee Housing Assistance Program, which grants five-year housing mortgages to employees. At March 31, 2008, there were four employee mortgages outstanding (2007 - five employees). These mortgages were issued at rates ranging from 2.77 percent to 3.28 percent and are secured by a second mortgage registered against their property. At the expiry of the mortgage term, the employees have the option to renew the mortgage for an additional five year term.

Note 9: Prepaid Expenses

Prepaid expenses include both short term and long term expenses. Included in the prepaid expense balance is an initial asset utilization fee paid in 2004 to BC Services Asset Corporation (SAC), a subsidiary of BC Hydro, pursuant to an agreement of key principles and terms with BC Hydro, upon which the current Master Services Agreement would be split between Accenture Business Services, BC Hydro and BCTC respectively. This fee of $2,340,000 is amortized over the utilization period of the related SAC assets, which is estimated to be 2.7 years remaining.

Note 10: Property, Plant and Equipment

2008

($ in thousands)	Cost	Accumulated Depreciation	Total
Buildings	$ 81,765	$ (5,857)	$ 75,908
Buildings under capital lease	7,297	(1,139)	6,158
Land	4,945	-	4,945
Computer hardware and software	76,218	(32,822)	43,396
Communication equipment	37,024	(22,982)	14,042
Furniture and equipment	10,047	(3,133)	6,914
Leasehold improvements	3,657	(1,022)	2,635
Asset retirement obligation cost	142	(141)	1
Contribution in aid of construction	(144)	128	(16)
	220,951	(66,968)	153,983
Unfinished construction	1,730	-	1,730
Total	$ 222,681	$ (66,968)	$ 155,713

2007

($ in thousands)	Cost	Accumulated Depreciation	Total
Buildings	$ 6,304	$ (4,164)	$ 2,140
Buildings under capital lease	7,297	(877)	6,420
Computer hardware and software	47,361	(28,017)	19,344
Communication equipment	25,944	(18,277)	7,667
Furniture and equipment	6,262	(3,457)	2,805
Leasehold improvements	2,707	(747)	1,960
Asset retirement obligation cost	142	(137)	5
Contribution in aid of construction	(144)	100	(44)
	95,873	(55,576)	40,297
Unfinished construction	59,805		59,805
Total	$ 155,678	$ (55,576)	$ 100,102

Note 11: Debt

Short Term Debt

Under the terms of an agreement with the Province of British Columbia, BCTC is authorized to borrow $25,000,000 under the short term commercial paper program which can be extended temporarily to $40,000,000 for up to two months. Interest is charged at the prevailing money market rates. During the year ended March 31, 2008, BCTC entered into 17 short term borrowings with interest rates varying from 2.40 percent to 4.28 percent and terms of three days to 93 days totalling $86,935,000, of which $9,012,000 is outstanding as at March 31, 2008.

BCTC has available a $5,000,000 demand revolving line of credit with a chartered bank. During the year ended March 31, 2008, $2,128,000 was pledged as security for the VITR project and the SCMP. There have been no draws on the line of credit as at March 31, 2008.

Long Term Debt

In May 2004, BCTC issued a debenture, series BCTR-CD-6(1), to the Province of British Columbia with a face value amount of $30,000,000, a coupon rate of 4.30 percent and an effective interest rate of 4.12 percent. The balance at March 31, 2008 consists of the face value of the debenture of $30,000,000 and a $40,000 unamortized premium, offset by $4,000 transaction costs (see Note 4). The debenture is due on December 18, 2008 with interest payable semi-annually in June and December. As the debenture must be repaid within 12 months of the balance sheet date, it has been classified as current.

In June 2007, BCTC issued a debenture, series BCTC-CP-124, to the Province of British Columbia with a coupon rate of 4.75 percent and an effective interest rate of 4.75 percent. The balance at March 31, 2008 consists of the face value amount of $40,000,000 offset by $12,000 transaction costs (see Note 4). The bond is due on June 11, 2017 with interest payable semi-annually in June and December.

Long term debt expressed in Canadian dollars is summarized in the following table by year of maturity:

($ in thousands)	
Maturing in fiscal	
2009	$ 30,036
2010	–
2011	–
2012	–
2013 to 2018	39,988
Total Debt	$ 70,024

Note 12: Transactions with Related Parties

(a) BC Hydro pays BCTC for the cost of system operation and asset management services and other services as follows:

($ in thousands)	**2008**	*2007*
Revenues from BC Hydro		
Tariff revenue	**$ 59,455**	$ 59,358
Asset management and maintenance	**87,300**	87,300
Service fees and other	**34,610**	31,014
Total revenues from BC Hydro	**$ 181,365**	$ 177,672

(b) The amounts due (to) from BC Hydro as at March 31 are as follows:

($ in thousands)	**2008**	2007
Tariff billing distributed to BC Hydro less than its Revenue Requirement	**$ (7,841)**	$ (12,285)
Accrued tariff billing receivable	**10,316**	10,514
Service fees and cost recoveries	**6,944**	4,623
Services performed by BC Hydro and subsidiaries	**(19,062)**	(19,342)
Total due to BC Hydro	**$ (9,643)**	$ (16,490)

(c) Included in the operations, maintenance and administration expense is $79,080,000 (2007 - $78,485,000) for services purchased from BC Hydro and subsidiaries and $8,465,000 (2007 - $7,293,000) of labour overhead cost recoveries from BC Hydro. Included in capital expenditures is $3,554,000 (2007 - $947,000) for services purchased from BC Hydro.

(d) Included in due to BC Hydro and deferred revenue is $340,000 (2007 - $1,199,000) of engineering and other services from BC Hydro in relation to systems studies.

(e) In December 2003, BCTC entered into lease contracts with BC Hydro for control centre buildings and land (see Note 15). Two building leases valued at BC Hydro's net book value of $7,297,000 are accounted for as capital leases. These amounts have been included in the financial statements as property, plant and equipment and obligations under capital lease. At March 31, 2008, the balance of the obligations under capital lease was $115,000 (2007 - $107,000) current and $6,724,000 (2007 - $6,840,000) non-current. Included in finance charges is $507,000 (2007 - $514,000) of interest expense relating to the capital leases (Note 18). Other land and building leases with BC Hydro are accounted for as operating leases. Included in the operations, maintenance and administration expense is $200,000 (2007 - $200,000) for these operating leases.

(f) Included in service fees and other is a recovery of $2,300,000 from BC Hydro for Northwest Transmission Line project costs incurred during the year.

Note 13: Accrued Employee Benefits

($ in thousands)	**2008**	2007
Registered pension plan (see Note 20)	**$ (3,076)**	$ (2,117)
Supplemental pension plan (see Note 20)	**4,446**	3,557
Total accrued benefit liability	**1,370**	1,440
Post retirement benefit costs (see Note 20)	**11,149**	9,750
Time bank liabilities	**10,462**	10,277
Total	**$ 22,981**	$ 21,467

The defined benefit costs for the year ended March 31, 2008 were $5,594,000 (2007 - $4,803,000).

Note 14: Asset Retirement Obligation

On April 1, 2004, BCTC recorded an asset retirement obligation (ARO) for the system control centre facility as it is legally required to remove the facility at the end of its useful life (estimated to be October 2008) and to restore the site to its original condition in accordance with the lease agreement. The system control centre facility was placed in service by BC Hydro in 1974. This asset was transferred to BCTC on December 1, 2003 under the Asset Lease, License and Transfer Agreement. The ARO liability for this facility is estimated to be $1,000,000 at the end of October 2008. The present value of this ARO liability, calculated to be $795,000, was recorded in April 2004 using a credit adjusted risk free rate of 5.9 percent. During 2004, BC Hydro paid BCTC $778,000 for its share of the ARO liability.

The liability was as follows:

($ in thousands)	**2008**	2007
ARO liability – beginning of year	**$ 927**	$ 883
Accretion expense	**45**	44
ARO liability – end of year	**$ 972**	$ 927

Note 15: Obligations Under Capital Lease

BCTC has land and buildings under capital and operating leases with BC Hydro. The capital leases are for the Lower Mainland and South Interior Control Centres (LMCC and SICC), issued at varying rates of interest of 7.319 percent and 7.366 percent per annum compounded monthly and terms of 25 years and 31 years respectively. The future minimum payments under capital lease with BC Hydro are approximately as follows:

($ in thousands)	Capital Leases
2009	$ 614
2010	614
2011	614
2012	614
2013	614
2014 and subsequent years	11,418
Total future minimum payments	14,508
Less: imputed interest	(7,669)
Capital lease liability	6,839
Less: current portion	(115)
Long term portion of capital lease	$ 6,724

BCTC and BC Hydro are in discussions with the landlord regarding the LMCC lease whereby BCTC proposes to surrender the lease to BC Hydro without payment of any amount for the value of the building as set out in Section 7.5 of the LMCC Building Lease. The time frame for surrender is to be mutually agreed between the parties and is not determinable at this time.

Note 16: Share Capital

Authorized Share Capital
BCTC is authorized to issue 10,000,000 common shares without par value.

Common Shares

	2008		2007	
	Shares	**Amount**	Shares	Amount
Issued at incorporation	**1**	**$ 1**	1	$ 1
Issued pursuant to Subscription Agreement for cash consideration	**1**	**20,000,000**	1	20,000,000
Issued and outstanding	**2**	**$ 20,000,001**	2	$ 20,000,001

The Province of British Columbia owns both common shares.

Note 17: Cost of Market

Cost of market expenses include ancillary service and congestion management costs. Ancillary service costs include scheduling, system control and dispatch, reactive supply and voltage control, regulation and frequency response, energy imbalance, operating reserves and loss compensation. Ancillary service costs are needed with transmission service to maintain reliability within and among the control areas affected by the transmission service. Congestion management costs relate to the purchase of operating reserves, transmission locational credits, unscheduled flow mitigation, and operating agreements between control areas. Congestion management costs are incurred to maximize the transmission capacity available to be contracted by customers.

($ in thousands)	**2008**	2007
Congestion management	**$ 712**	$ 816
Ancillary services	**4,281**	4,149
Total	**$ 4,993**	$ 4,965

Note 18: Finance Charges

($ in thousands)	**2008**	2007
Interest on debenture	**$ 2,785**	$ 1,349
Interest on capital leases	**507**	514
Interest on deferral accounts	**(308)**	752
Interest on other	**254**	148
Less: AFUDC debt portion during construction	**(2,243)**	
Less: Interest capitalized to construction	**-**	(1,434)
Total	**$ 995**	$ 1,229

Note 19: Financial Instruments and Concentration of Risk

Fair Values

At March 31, 2008, BCTC's financial instruments included cash and cash equivalents, accounts receivable, other assets, accounts payable and accrued liabilities, short term debt, accrued interest, and long term debt. The fair values of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities approximate their carrying values.

Other assets, short term and long term debt are measured at amortized cost using the effective interest rate method as required under CICA Handbook Section 3855. As at March 31, 2008, the fair value of these instruments is not significantly different from their respective carrying value at March 31, 2008.

BCTC enters, from time to time, into forward contracts to manage its exposure to fluctuations in foreign currency exchange rates. Gains and losses on foreign exchange contracts are recorded in income. BCTC entered into one foreign currency contract that was designated as a derivative and a $148,000 loss was recognized into net income for the year. There were no open foreign currency contracts at March 31, 2008. BCTC does not hold or use any derivative instruments for trading purposes.

Credit Risk Management

BCTC is directly exposed to counterparty credit risk as a result of providing transmission and related services to its customers. BCTC's customers are utilities and their affiliates in the western United States and western Canada. Credit risk is managed by authorizing transactions with only credit-worthy counterparties as determined by BCTC management approved procedures and by monitoring the credit risk and credit standing of customers on a regular basis.

Foreign Currency Risk

BCTC's short term investments are denominated in Canadian dollars and are not exposed to foreign exchange fluctuations.

Interest Rate Risk

For short term investments, interest rate risk is minimized by investing in short term fixed income pooled funds which comprise Government of Canada and provincial short term paper. BCTC's investments are managed by BC Investment Management Corporation. The long term debt bears a fixed interest rate for the loan. Consequently, the long term debt risk exposure is minimal.

Note 20: Employee Benefit Plans

BCTC provides a defined benefit registered pension plan to all employees (the Registered Pension Plan). Pension benefits are based on years of membership service and highest five-year average pensionable earnings. Employees make basic and indexing contributions to the plan funds based on a percentage of current pensionable earnings. Annual cost-of-living increases are provided to pensioners to the extent that funds are available in the indexing fund. BCTC contributes amounts as prescribed by an independent actuary towards the cost of providing basic benefits under the plan.

In addition, BCTC provides a supplementary pension arrangement that provides additional pension benefits to employees to the extent that their benefits under the Registered Pension Plan are constrained by the maximum pension limits under the *Income Tax Act*. The Supplemental Plan includes the minimum pension guarantee provided by BCTC to five employees with prior service under the BC public service pension plans, as well as certain enhanced benefits payable to BCTC employees at the Vice President level and above.

BCTC provides post-retirement benefits other than pensions including medical, extended health and life insurance coverage for retirees who have at least 10 years of service and qualify to receive pension benefits.

BCTC has measured its accrued benefit obligations and the fair value of plan assets for accounting purposes as at March 31, 2008. The most recent actuarial valuation of the Registered Pension Plan for funding purposes was as of December 31, 2007, prepared by Mercer. The next actuarial valuation of the Registered Pension Plan for funding purposes is as at December 31, 2008.

On March 31, 2007, a transfer of $601,675 was made from the Registered Pension Plan to the BC Hydro Pension Plan in respect of 10 employees who elected to transfer their accrued pension from BCTC to BC Hydro in accordance with the Inter-Plan Pension Transfer Agreement.

On September 13, 2007, a transfer of $1,006,285 was made from the BC Hydro Pension Plan to the Registered Pension Plan in respect of four employees who elected to transfer their accrued pension from BC Hydro to BCTC in accordance with the Inter-Plan Pension Transfer Agreement. On that same date, a cash payment of $91,074 was made by BC Hydro to BCTC in respect of obligations under the Supplemental Plan assumed by BCTC in respect of an employee who elected to transfer his accrued pension from BC Hydro to BCTC in accordance with the Inter-Plan Pension Transfer Agreement. This cash payment is not a plan asset under CICA 3461 as the Supplemental Plan is not a funded arrangement.

On December 14, 2007, a transfer of $140,149 was made from the BC Hydro Pension Plan to the Registered Pension Plan in respect of three employees who elected to transfer their accrued pension from BC Hydro to BCTC in accordance with the Inter-Plan Pension Transfer Agreement.

On January 31, 2008, a transfer of $1,049,323 was made from the Registered Pension Plan to the BC Hydro Pension Plan in respect of eight employees who elected to transfer their accrued pension from BCTC to BC Hydro in accordance with the Inter-Plan Pension Transfer Agreement. On that same date, a cash payment of $27,573 was made by BCTC to BC Hydro in respect of obligations under the Supplemental Plan assumed by BC Hydro in respect of two employees who elected to transfer their accrued pension from BCTC to BC Hydro in accordance with the Inter-Plan Pension Transfer Agreement. This cash payment is not a plan asset under CICA 3461 as the Supplemental Plan is not a funded arrangement.

Total cash payments for employee future benefits for 2008, consisting of cash contributed by BCTC to its funded pension plan, and cash payments directly to beneficiaries for its unfunded other benefit plans, was $4,382,000 (2007 - $4,445,000).

Elements of defined benefit costs

	Pension Plans		Other Benefit Plans	
($ in thousands)	**2008**	2007	**2008**	2007
Current service cost				
Basic benefits	**$ 3,770**	$ 3,216	**$ 653**	$ 550
Indexing benefits	**321**	291	**-**	-
Interest cost	**2,740**	2,219	**669**	609
Actual return on plan assets	**484**	(4,198)	**-**	-
Actuarial (gain) loss on accrued benefit obligation	**(7,030)**	4,040	**(2,422)**	476
Costs arising in the period	**285**	5,568	**(1,100)**	1,635
Differences between costs arising in the period and costs recognized in the period in respect of:				
Return on plan assets	**(3,305)**	1,987	**-**	
Actuarial gain	**7,175**	(3,940)	**2,539**	(357)
Net periodic pension cost recognized	**$ 4,155**	$ 3,615	**$ 1,439**	$ 1,278

Weighted average assumptions for expense

	Pension Plans		Other Benefit Plans	
	2008	2007	**2008**	2007
Discount rate	**5.25%**	5.4%	**5.25%**	5.4%
Expected long term rate of return on plan assets	**6.5%**	7.0%	**-**	-
Rate of compensation increase	**3.5%**	3.5%	**3.5%**	3.5%
Weighted average health care trend rate – initial	**-**	-	**5.1%**	5.4%
Weighted average health care trend rate – ultimate rate reached after 2011	**-**	-	**4.0%**	4.0%

Weighted average assumptions for disclosure

	Pension Plans		Other Benefit Plans	
	2008	2007	**2008**	2007
Discount rate	**6.2%**	5.25%	**6.2%**	5.25%
Rate of compensation increase	**3.5%**	3.5%	**3.5%**	3.5%
Weighted average health care trend rate – initial	**-**	-	**5.0%**	5.1%
Weighted average health care trend rate – ultimate rate reached after 2015	**-**	-	**4.0%**	4.0%

Change in accrued benefit obligation

	Pension Plans		Other Benefit Plans	
($ in thousands)	**2008**	2007	**2008**	2007
Accrued benefit obligation at beginning of year	**$ 58,320**	$ 45,801	**$ 12,136**	$ 10,522
Net obligation (transferred to) assumed from BC Hydro	**(441)**	870	**-**	
Additional obligation due to special benefit granted to certain employees	**53**	58	**-**	
Current service cost				
Basic benefits	**3,770**	3,216	**653**	550
Indexing benefits	**321**	291	**-**	
Interest cost	**2,740**	2,219	**669**	609
Actual return on plan assets – indexing benefits	**(114)**	1,049	**-**	
Employee contributions				
Basic benefits	**1,500**	1,373	**22**	10
Indexing benefits	**317**	287	**-**	
Benefits paid	**(907)**	(826)	**(62)**	(38)
Actuarial (loss) gain	**(7,030)**	3,992	**(2,422)**	473
Accrued benefit obligation at end of year	**$ 58,529**	$ 58,320	**$ 10,996**	$ 12,136

Change in plan assets

	Pension Plans		Other Benefit Plans	
($ in thousands)	**2008**	2007	**2008**	2007
Fair value of plan assets at beginning of year	**$ 51,265**	$ 40,563	**$ -**	$ -
Net assets transferred from BC Hydro	**(505)**	196	**-**	-
Actual return on plan assets				
Basic benefits	**(484)**	4,196	**-**	-
Indexing benefits	**(114)**	1,049	**-**	-
Employer contributions				
Basic benefits	**4,021**	4,135	**40**	18
Indexing benefits	**321**	292	**-**	-
Employee contributions				
Basic benefits	**1,500**	1,373	**22**	10
Indexing benefits	**317**	287	**-**	-
Benefits paid	**(907)**	(826)	**(62)**	(28)
Fair value of plan assets at end of year	**$ 55,414**	$ 51,265	**$ -**	$ -

Reconciliation of funded status to accrued benefit asset

	Pension Plans		Other Benefit Plans	
($ in thousands)	**2008**	2007	**2008**	2007
Funded status – deficit at end of year	**$ (3,115)**	$ (7,055)	**$ (10,996)**	$ (12,136)
Unamortized net actuarial loss	**1,745**	5,615	**(153)**	2,386
Accrued benefit liability	**$ (1,370)**	$ (1,440)	**$ (11,149)**	$ (9,750)

Pension Plan assets by asset category

	2008	2007
Equity securities	**52%**	53%
Debt securities	**46%**	45%
Cash and short term deposits	**2%**	2%
Total	**100%**	100%

Assumed cost trend rates have a significant effect on the amounts reported for the other benefit plans. A one percent change in assumed cost trend rate would have the following effects for 2008:

($ in thousands)	1% Increase	1% Decrease
Total of service and interest cost	$ 384	$ (285)
Accrued benefit obligation	$ 2,420	$ (1,916)

Note 21: Commitments and Contingencies

(a) BCTC has land and buildings under operating leases with BC Hydro. As well, BCTC has entered into agreements with BC Hydro to purchase engineering and field services. The future minimum payments under operating leases and service agreements with BC Hydro are approximately as follows:

($ in thousands)	Operating Leases	Service Agreements
2009	$ 145	$ 42,850
2010	36	42,850
2011	36	34,280
2012	36	25,710
2013	36	17,140
2014 and subsequent years	662	8,570
Total future minimum payments	$ 951	$ 171,400

Since 2004, an agreement has been in place between BC Hydro, BCTC and Accenture Business Services through which BCTC takes services and pays prices under the Master Services Agreement between Accenture Business Services and BC Hydro. BCTC will continue to take services under this agreement. Since this agreement has been in place, there has been no interruption of service to BCTC.

BCTC subleased an operating lease from BC Hydro for land associated with the system control centre. With the implementation of the SCMP project, the system control centre will be replaced. BCTC and BC Hydro are currently negotiating with the landlord regarding the operating lease.

The future minimum payments on the 10 year lease for the Bentall office premises are approximately as follows:

($ in thousands)	
2009	$ 2,543
2010	2,610
2011	2,626
2012	2,628
2013	2,628
2014	1,314
	$ 14,349

(b) BCTC has $7,486,000 remaining in a commitment for facilities maintenance contract for the new control centres. BCTC has $4,786,000 remaining in commitments for construction contracts relating to the SCMP.

(c) As part of the Certificate of Public Convenience and Necessity approval for the VITR project by Commission Order No. C-4-06 issued on July 7, 2006, an incentive and penalty mechanism was established. Under the incentive and penalty mechanism, if the project cost exceeds $259,000,000, BCTC would incur a penalty of 25 percent of BCTC's forecasted approved return on deemed equity for F2009. BCTC currently estimates that the total project cost will exceed the penalty threshold due to market conditions and unexpected environmental requirements, and occurred despite good management of the project. BCTC has requested the BCUC to grant relief from the penalty. Management has assessed that the penalty is probable and has accrued the $1,575,000 penalty as a charge against operations, maintenance and administration costs and a credit to the Revenue Deferral Account (Note 7). BCUC's decision on the penalty is pending and, if materializes, the penalty would be paid to customers through the clearing of the Revenue Deferral Account.

Note 22: Subsequent Events

After March 31, 2008, BCTC entered into five new short term borrowings with interest rates varying from 2.25 percent to 3.40 percent and terms of one day to 47 days totalling $23,966,000, of which $13,996,000 has been subsequently repaid in order to finance operating activities.

Financial and Operating Statistics

Financial Statistics	Unit of Measures	F2008	F2007	F2006	F2005[1]	F2004[1]
Revenues	$ millions	**193.4**	189.8	205.3	94.8	42.3
(Loss) Income before Deferral Accounts	$ millions	**(1.1)**	1.3	21.6	3.4	0.9
Net Income	$ millions	**3.2**	3.1	13.5	3.4	0.9
Total Assets	$ millions	**186.1**	146.5	137.3	93.7	68.5
Total Liabilities	$ millions	**142.3**	105.9	99.5	69.4	47.5
Shareholder's Equity	$ millions	**43.8**	40.6	37.8	24.3	20.9
Debt	$ millions	**85.9**	37.0	37.2	37.3	17.2
Total Transmission Assets under Management	$ millions	**2,706.0**	2,587.0	2,479.0	2,489.0	2,618.0
Transmission Capital Expenditures						
- Assets owned by BCTC	$ millions	**70.1**	50.4	21.4	13.3	65.9
- Transmission assets owned by BC Hydro	$ millions	**203.0**	183.8	123.7	122.1	167.0
Actual Debt to Equity Ratio	Ratio	**58:42**	43:57	48:52	49:51	N/A
OMA Unit Cost/GWh*km	in cents	**18.5**	18.6	19.0	18.9	20.5
Operating Statistics						
BCTC SAIDI	(Hours)	**2.43**	4.23	2.07	2.33	2.74
Length of Transmission Lines	(km)	**18,300**	18,234	18,286	18,286	18,284
Number of Stations	(Number)	**292**	291	287	287	287
Maximum Reserve Demand	(MW)	**11,100**	11,100	11,100	11,100	10,985
Peak Demand	(MW)	**9,548**	10,113	9,317	9,437	9,619
Point-to-Point Sales Volume						
Long term	(GWh)	**8,710**	5,958	4,190	5,187	4,722
Short term	(GWh)	**12,922**	14,087	10,933	6,288	11,553
Transmission Rates						
Long term PTP (Average)	($/MWh)	**5.23**	5.24	5.88	5.74	6.01
Short term PTP (Average)	($/MWh)	**1.20**	1.80	4.16	3.09	2.88
Annual Network Charge	($ millions)	**439.2**	437.8	503.9	462.1	501.3
Number of Employees						
Regular		**384**	360	321	311	290
Temporary		**40**	33	19	14	1

(1) The financial statistics for F2004 and F2005 represent a partial and full year, respectively, providing contract services to BC Hydro, whereas F2006, F2007, and F2008 results are for BCTC as a financially independent utility.

(2) Maximum Reserve Demand is the maximum capacity supply that was used in the determination of long term point to point transmission rates.

Glossary of Terms

Benchmark is a measured achievement that is used as a reference or measurement standard for comparison and is recognized as the standard of excellence for a specific business process.

Gigawatt hour (GWh) is a unit of bulk energy; one million kilowatt hours.

Interconnected System is a system which has two or more individual power systems normally operating in synchronism and having connecting tie lines.

Intertie is a transmission circuit used to tie or interconnect two utility systems.

Kilowatt hour (kWh) is the basic unit of electrical energy equal to 1 kilowatt or 1,000 watts of power used for one hour. The amount of power the customer uses is measured in kilowatt hours (kWh). A 100-watt light bulb operated for 10 hours uses 1 kWh.

Load is the total amount of electricity required to meet customer demand at any moment. The load fluctuates depending on electricity use throughout any given day.

Megawatt hour (MWh) is a unit of bulk energy; 1,000 kilowatt hours.

Open Access allows all eligible parties to use the transmission system to move power on a non-discriminatory basis.

Power is the rate at which electrical energy is converted into another form, such as light, heat, or mechanical energy (or converted from another form into electrical energy).

Revenue Requirement means the amount of revenues the utility needs to receive in order to cover operating expenses, pay debt service and provide a fair return on invested capital.

Transmission is the process of transporting electrical energy in bulk on high-voltage lines from the generating facility to the local distribution company for delivery to retail customers.

Transmission capacity is the amount of electrical power that can be transferred over the interconnected transmission system network in a reliable manner while meeting all of a set of defined system conditions.

Voltage is the force which pushes electricity through a wire (just as pressure causes water to flow in a pipe).

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Contact Us

British Columbia Transmission Corporation
Suite 1100, Four Bentall Centre
1055 Dunsmuir Street, Box 49260
Vancouver, BC
V7X 1V5

604 699 7300
1 866 647 3334

BC Transmission
CORPORATION

Building Connections